As of 11 a.m. ET **DJIA** 10212.88 ▲ 0.16% **FTSE 100** 5276.85 ▲ 0.31% **Nikkei 225** 10325.28 ▼ 1.78% **Shanghai Comp.** 3019.39 ▼ 2.42% **Hang Seng** 20109.33 ▼ 2.38% **Sensex** 16780.46 **Closed** **S&P/ASX 200** 4717.86 **Closed**

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Japan gets negative outlook

By Alison Tudor And Kenneth McCallum

TOKYO—A credit-rating firm issued a warning to Japan's new government about the country's borrowing, threatening to downgrade the nation's sovereign debt unless policy makers find a way to pull the economy out of its deflationary spiral while curbing public spending.

The statement from Standard & Poor's on Tuesday was the first formal declaration of concern from a ratings company about Japanese borrowing in the months since investors began to raise questions about the sustainability of government debt, estimated to have reached the size of the country's entire economic output for the year ending in March—the highest level in the industrialized world.

S&P's warning also smacks of a vote of no confidence in the four-month-old administration of Prime Minister Yukio Hatoyama, who took office amid high hopes of reforming Japan's long-stagnant economy, but has since struggled to articulate a path to recovery.

The agency specifically cited the new administration's focus on social spending and a seeming lack of concern for Japan's borrowing as a reason for its threat to knock Japan's long-term sovereign debt a notch below its current double-A rating.

"The policies of the new Democratic Party of Japan [DPJ] government point to a slower pace of fiscal consolidation than we had anticipated," the agency said. That, "combined with other social policies that are not likely to raise medium-term trend growth," led the firm to forecast the debt level continuing to rise to 115% of GDP "over the next several years."

The warning—announced after the Tokyo stock market close—revived memories of the time in 2001 when Japan lost its top-notch AAA rating and suffered a series of downgrades that briefly put the country's debt below Botswana's. S&P upgraded Japan's outlook through the decade, before Tuesday's formal revision of Japan's prospects from "stable" to "negative."

"It's a warning shot across the bows of the Japanese gov-

Please turn to page 18

Sri Lanka votes during a bitter peace

Reuters

Sri Lankans voted Tuesday in the first national election since the defeat of Tamil rebels, choosing in a fiercely contested race between the two architects of the insurgents' demise: incumbent President Mahinda Rajapaksa, left, and retired Gen. Sarath Fonseka, right, the former army chief. Results were expected Wednesday. **Page 6.**

Beijing tightens reins on new loans

By Dinny McMahon

BEIJING—Several state-run Chinese banks have ordered some branches to suspend new lending for the rest of this month, suggesting a coordinated effort by Beijing to manage state banks' torrid lending at the beginning of the year.

A person with direct knowledge of the matter said Tuesday that **Industrial & Commercial Bank of China** Ltd., the country's biggest lender by assets, last Friday ordered its branches in Beijing not to issue any new loans for the rest of January.

China Citic Bank Corp. also suspended new lending in Shanghai last week because its local operations have already used up their monthly quota for new loans in the city, a Shanghai-based official at the medium-sized bank said Tuesday. The Citic Bank official added that both the bank's own headquarters and the People's Bank of China, the country's central bank, "have told us to control the pace of lending this year."

The moves by the two state-owned banks follow sim-

Please turn to page 18

New push for a U.S.-China 'G-2'

By Marcus Walker And Andrew Batson

The setting may be European, but the U.S. and China will be central to many of the discussions when global business and political leaders meet at the World Economic Forum in Davos, Switzerland, which opens Wednesday.

The global financial crisis and the stumbling efforts to tackle climate change have highlighted the mounting evidence that China is becoming the world's second-most influential country after the U.S.

A growing number of policy makers, economists and political analysts argue that the U.S.-China bilateral relationship is now the most important of all—and that the chances of managing the globalized world successfully will be slim unless these two powers, as different as yin and yang, can cooperate.

But although the U.S. and China may be the two most powerful countries for years to come, many analysts and officials doubt they can, or should, form a de facto Group of Two to set the global agenda. Differences of interest, affluence, political ideology, and diplomatic approach are among the obstacles.

History suggests a partnership between an established power and a rising one is a stretch. From ancient Sparta and Athens to Britain and Germany a century ago, hegemons and upstarts have tended to collide, rather than cooperate.

Despite the challenges, Fred Bergsten, director of the Peterson Institute for International Economics in Washington, argues that a G-2 partnership should manage the global economy, acting as an informal "steering committee" to facilitate broader deals within multilateral institutions, including the Group of 20 and the World Trade Organization.

A growing chorus says that—despite the challenges—Washington and Beijing need to work together in managing the globalized world.

"Unless the G-2 agrees, it's very hard to achieve progress within these global institutions," Mr. Bergsten says. The U.N. climate talks in Copenhagen bore that out: Achieving a deal required a last-minute summit between U.S. President Barack Obama and Chinese Premier Wen Jiabao.

Mr. Wen rejected the idea of a G-2 partnership during Mr. Obama's visit to Beijing in November. "Global issues should be decided by all nations in the world, rather than one or two countries," Mr. Wen said. China has a long way to go before it is modernized and "we must always keep sober-minded over it," he said, according to the state-run news agency Xinhua.

The idea of a G-2 partnership is controversial, because it suggests a two-nation hegemony over a world that is more politically fragmented than during the bipolar Cold War era.

"All the major Asian and European powers would not

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PAGE TWO

What's News—

* * *

Business & Finance

■ **Asian stocks extended** their slide, raising concerns that a prolonged pullback could be under way in the region. Declines were driven by more fears that Chinese banks will curtail lending and by disappointing GDP growth in Korea. Hong Kong and Shanghai both fell 2.4%. In Tokyo, demand from offshore investors, which had boosted shares recently, may be running out of steam. **19, 24**

■ **U.S. stocks edged higher** following upbeat reports on consumer confidence and the outlook for the federal government budget deficit. **27**

■ **ECB President Trichet offered** qualified support for a U.S. plan to rein in the size and activities of large banks, though he stressed such proposals should be coordinated globally. He also backed Bernanke for another term as Fed chairman. **3**

■ **Congressional experts** pegged the 2010 U.S. budget deficit at $1.35 trillion, a slight improvement from the $1.38 trillion estimate in August. **8**

■ **More senators signaled** support for a second term for Fed chief Bernanke as business interests rallied to his defense and liberal activists pushed for defeat. **8**

■ **The IMF warned** the divergence in growth in advanced and developing economies is complicating management of the rebound. **8**

■ **South Korea's economy** grew at a slower pace than first estimated during the last quarter of 2009, as state spending waned and private consumption fell. **4**

■ **Creditors of Hynix** Semiconductor still haven't found bidders interested in buying their stake in the South Korean chip maker ahead of a Friday deadline. **19**

■ **LG Electronics said** 2009 net profit rose more than fourfold, in part due to foreign-exchange gains. **20**

■ **Jia Sheng's stock rose** 62% after the company said Li Ka-shing will become a big investor and it will turn to making electric-vehicle batteries. **21**

■ **Foxconn warned** of a "significant decline" in 2009 profit, amid intense competition and weak handset sales. Shares tumbled. **22**

■ **Apple reported** a surge in quarterly profit and revenue that showed demand for its technology hasn't cooled off. **22**

■ **Daniel Vasella is** stepping down as chief executive of Novartis after 14 years in the job but staying as chairman, handing the CEO post to Joe Jimenez. **21**

■ **The dollar strengthened** against the euro, but weakened against the yen. **26**

* * *

World-Wide

■ **Sri Lankans voted** in the first national election since the defeat of separatist Tamil rebels, choosing between two architects of the insurgents' annihilation. **6**

■ **Five pro-democracy** lawmakers resigned Tuesday to force Hong Kong by-elections, setting up what they call a de facto referendum on democracy that has drawn harsh criticism from Beijing. **4**

■ **U.N. troops fired** tear gas at Haitians crowding a food handout in Port-au-Prince as delays in getting help to survivors persist two weeks after the earthquake.

■ **A suicide car bomber** killed at least 21 people in a strike against Interior Ministry offices in Baghdad, a day after several prominent hotels were hit.

■ **Foreigners who earn** doctorates in science and engineering in the U.S. are largely staying in the country, data show, despite predictions that more would leave for greater opportunities at home. **7**

Reuters

Afghan policemen keep watch after a suicide car bomber targeted a U.S. base in Kabul on Tuesday, wounding six Afghans and eight Americans hours after gunmen killed four policemen in southern Afghanistan. The latest violence has underscored fears that militants would try to stage attacks ahead of a key international conference on Afghanistan to be held Thursday in London.

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Sci-fi blockbuster "Avatar" has passed the global box office gross of "Titanic," the previous world-wide record holder.

Continuing coverage

President Obama intends to propose a three-year freeze in spending that accounts for one-sixth of the federal budget, **at WSJ.com**

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Beijing's municipal government wants to backpedal on the overwhelming trend to car ownership and encourage cyclists.

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WORLD NEWS

Trichet backs U.S. bank plan

By Brian Blackstone And Matthew Karnitschnig

FRANKFURT—European Central Bank President Jean-Claude Trichet offered qualified support for a U.S. plan to rein in the size and activities of large banks, though he stressed such proposals should be coordinated globally.

In an interview with The Wall Street Journal at his office on the 35th floor of ECB headquarters in downtown Frankfurt, Mr. Trichet also urged U.S. lawmakers to confirm Ben Bernanke for another term as Federal Reserve chairman, saying he holds Mr. Bernanke "in very great esteem," an unusual public backing from a central banker who zealously guards his independence from politics.

The bank-reform plans the White House outlined last week "go in the same direction of our own position, namely ensuring that the banking sector focuses on financing the real economy," Mr. Trichet, 67 years old, said in his first public remarks on the proposal. Under U.S. President Barack Obama's plan, limits would be placed on the market share of the largest U.S. financial firms and put restrictions on proprietary trading by banks.

Several European countries including Germany and France have pushed for international consensus on a new regulatory framework for the banking system. The European approach has emphasized forcing banks to increase their capital cushion instead of restricting their business activities.

Though Mr. Trichet said the ECB was "examining [the Obama proposals] with great care," some analysts question whether Germany and France, the euro zone's most influential members, would endorse reforms that could diminish their own universal banks, **Deutsche Bank** AG and **BNP Paribas** SA.

Mr. Trichet, who arrives Wednesday for the World Economic Forum in Davos, Switzerland, admonished bankers across the globe to remember their role in generating the biggest financial crisis since the Great Depression, and who got them out of it.

Some at financial institutions see a return to normalcy "and have forgotten that governments put over 25% of GDP of taxpayer risks on the table and that major central banks have engaged in nonconventional measures, which have been absolutely extraordinary," Mr. Trichet said. Banks, he said, need to restore their balance sheets by issuing new shares when possible, setting aside a "significant" portion of profits and fixing compensation practices so the financial sector can "do its job, which is financing appropriately the real economy."

Addressing the most acute problem facing the ECB—the fiscal and economic crisis in Greece—Mr. Trichet said he believed the country's government would make good on its recent promise to quickly rein it its ballooning budget deficit, despite the painful public spending cuts such a course would entail.

"It is what the government has committed to do," Mr. Trichet said when asked whether a country with Greece's massive public-sector spending could really meet its ambitious deficit-reduction targets. "I trust it is not only realistic but also necessary in the present demanding circumstances to take the right decisions to meet the goal."

Greece has said it will shrink its deficit from almost 13% of GDP in 2009 to less than 3% by 2012.

Many investors and economists doubt that ambitious timetable is possible and yield spreads between Greek sovereign debt and safer alternatives such as German government bonds, have skyrocketed.

Greece accounts for only a fraction of the euro-zone economy, but its deep economic turmoil has raised concerns that its troubles could spread to other countries with exploding budget deficits, including Ireland, Spain and Portugal. Germany and other healthier euro-zone members are particularly concerned about the effect the Greek crisis could have on the stability of the euro and have pressured Athens to repair its finances.

In response to the Greek crisis, which has been exacerbated by years of faulty analysis of economic data by Athens, Mr. Trichet called for "all data, facts and figures" to be audited nationally and "when judged necessary" by Europe's official statistics arm. He said he expects the European Commission to take up the issue soon.

He also called for "rigorous" application of budget rules under the euro zone's stability and growth pact that call for deficits to be less than 3% of a country's GDP.

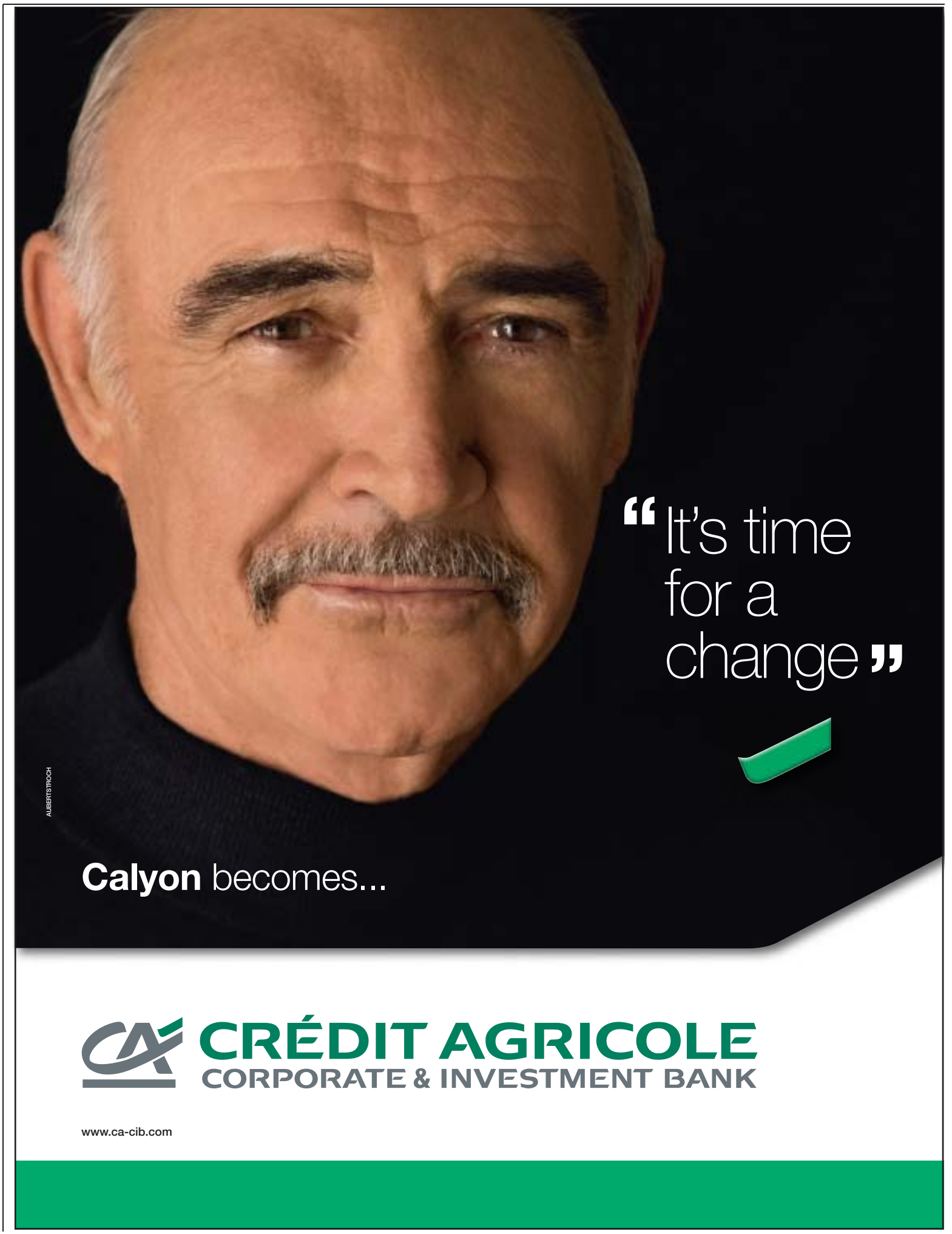
The former Bank of France governor rejected growing worries that governments would seek more influence over monetary policy in the aftermath of the financial crisis.

"I don't trust this is serious," and the need for independence is now greater than ever, he said.

Mr. Trichet has generally received high marks for steering Europe through the financial crisis.

European Pressphoto Agency

ECB President Jean-Claude Trichet



Hong Kong faces controversial vote

Resignations by pro-democracy lawmakers, regretted by Tsang, set stage for by-elections that will anger Beijing

By Jonathan Cheng

HONG KONG—Five pro-democracy lawmakers here formally resigned Tuesday to force city-wide by-elections, setting up what they call a de facto referendum on democracy that has drawn harsh criticism from Beijing.

The lead-up to the resignations already has inflamed tensions over a sensitive political issue: the introduction of direct elections in the special administrative region of Hong Kong, which operates under a different set of laws from mainland China.

Beijing has promised the former British colony eventual direct elections, but without providing a concrete timetable. Pro-democracy lawmakers, long frustrated over perceived stall tactics, are hoping to force the issue by resigning. Their resignations mean a by-election will be needed in each of Hong Kong's five geographic electoral districts.

The five lawmakers, members of the minority Civic Party and the League of Social Democrats, hope to win back their seats under a platform of faster progress on direct elections. Their resignations take effect Friday. It wasn't immediately clear when the by-elections will take place.

Hong Kong's chief executive, Donald Tsang, issued a statement Tuesday saying the government "deeply regrets" the lawmakers' actions.

"Unnecessary resignations will not help our community forge consensus on constitutional development," he said.

The campaign has stirred criticism and raised doubts from various quarters, including some of Hong Kong's old-guard democracy advocates. The Democratic Party, founded in 1989 after the Tiananmen Square incident, wrestled for weeks over whether to participate before deciding to stay on the sidelines.

Meanwhile, pro-Beijing parties have said they plan to boycott the by-elections in an attempt to deprive pro-democrats of any claim that the by-elections are a broader referendum on democracy.

On Jan. 15, China's State Council, or cabinet, made a rare dip into the Hong Kong political scene, issuing a blunt statement expressing "serious concern" over the resignation plan, calling the effort a challenge to Beijing's leadership.

It also said there was "no constitutional basis for any so-called 'referendum,' nor would it have any legal effect."

On Tuesday, the five lawmakers signed their resignation statements in a brief ceremony outside the Legislative Council building. "We're standing for our principles and our ideals," said Raymond Wong, a former radio commentator known as "Mad Dog" who won a legislative seat in 2008.

Later that year, Mr. Wong, one of Hong Kong's best-known personalities, was ordered to leave the legislative chamber for a day after hurling a banana at Mr. Tsang, the chief executive, during a major policy speech.

"All we are doing is giving effect to what we always pledged to do, which is fighting for democracy," said Civic Party leader Audrey Eu, who is leading the campaign but who isn't resigning her seat.

In an apparent attempt to allay Beijing's concerns that the vote will foment dissent, Ms. Eu said their movement was being conducted with "five pieces of paper"—the resignation letters.

She also called the ballot slips "mere pieces of paper" and said, "There is no reason to fear the people's will."

The resignations came 10 days after protesters clashed with riot police outside the legislature in an attempt to stop passage of a funding bill for an $8.6 billion high-speed railway linking to mainland China's expanding system.

Critics say the US$8.6 billion train link is unnecessary and too expensive.

Simon Young, a constitutional law professor at Hong Kong University who has drafted a proposal that he says bridges the divide between pro-democrats and Beijing's concerns, said Tuesday that the mass resignation "has distracted our attention" from substantive issues, and could set back progress on democracy by pushing debate into increasingly polarized camps.

"There needs to be more rational dialogue on reform," Mr. Young said.

Moving out | Meet the Hong Kong lawmakers who resigned their seats Tuesday

Agence France-Presse/Getty Images

ALBERT CHAN
The longest-serving legislator to resign, Mr. Chan was first elected to the legislature in 1991. A former social worker, he co-founded the left-wing League of Social Democrats with Leung Kwok-hung and Raymond Wong in 2006.

RAYMOND WONG
Known as "Mad Dog," Mr. Wong was a popular radio commentator who now serves as chairman of the LSD. Mr. Chan was ejected from the legislative chamber in 2008 after hurling a banana at the chief executive during a major policy speech.

AUDREY EU
The head of the Civic Party, Ms. Eu is a lawyer. She herself is not resigning from the legislature, though she is coordinating the resignation campaign.

TANYA CHAN
One of the youngest of Hong Kong's lawmakers, Ms. Chan is a lawyer and actress with the Civic Party. She won election for the first time in 2008.

ALAN LEONG
A lawyer and Civic Party legislator since 2004, Mr. Leong in 2007 became the first outside candidate for chief executive after securing enough nominations to compete against Mr. Tsang for Hong Kong's top job.

LEUNG KWOK-HUNG
Known as "Long Hair," Mr. Leung is a longtime activist and dissident who won a seat in the legislature in 2004. Mr. Leung is a constant thorn in the side of chief executive Donald Tsang, and is immediately recognizable by his long hair and preference for Che Guevara T-shirts.

South Korea in late 2009 grew less than estimated

By In-Soo Nam

SEOUL—South Korea's economy grew at a slower pace than initially estimated in the final quarter of last year as government fiscal spending waned and private consumption dipped, lending more weight to the possibility that the central bank will maintain its accommodative monetary policy.

Gross domestic product in October-December rose a seasonally adjusted 0.2% from the previous three months, slowing from a 3.2% gain in the third quarter, the Bank of Korea said. It grew 6% in the fourth quarter from a year earlier versus a 0.9% rise in the third, helping avert a contraction for the full year.

The year-to-year growth—the biggest since the 6.3% expansion in the first three months of 2006—was largely due to unusually low numbers in the year-earlier period, when the economy shrank by the most in a decade. Even so, the data are unlikely to prompt the central bank to raise interest rates as the government focuses on generating employment and the global outlook remains bleak.

"With the GDP data clearly showing that the recovery momentum is slowing, BOK's justification for a rate hike would have less ground to stand on, while the government's determination for keeping rates low remains strong," said Park Jong-youn, an analyst at Woori Investment & Securities.

The performance of Asia's fourth-largest economy came in below the central bank's initial estimate last month of a 0.3% quarterly rise and 6.2% year-to-year gain. The median forecast of 12 economists surveyed recently by Dow Jones Newswires also matched that of the BOK's estimate.

The weak figures boosted treasury and bond futures amid expectations that the BOK won't move toward monetary tightening any time soon.

Tuesday afternoon in Seoul, the yield on the three-year bond was down two basis points, or hundredths of a percentage point, at 4.24%, while the five-year yield lost four basis points to 4.78%. March bond futures gained 19 ticks to 109.81.

An increasing number of economists, including Kim Jong-su at NH Investment & Securities, say the BOK won't raise rates until the central bank sees clear signs of sustainable growth in the second half.

"When uncertainties surrounding the pace of the recovery remain, the central bank won't attempt to raise the rates hastily," Mr. Kim said.

Still, some economists believe the BOK's first increase from an all-time low rate of 2% will come during the first quarter of this year, given that the recovery is gaining steam and the possibility that inflation will accelerate in coming months.

The central bank kept its key interest rate steady at the current level for an 11th straight month in January, after slashing the rate by 325 basis points from October 2008 to February of last year to help spur growth.

The BOK said the slowdown isn't a warning for the central bank to consider revising its growth target of 4.6% for this year.

"Given the strong performance in the two previous quarters, it's no wonder that the fourth-quarter growth slowed," said Kim Myung-kee, director-general of the BOK's economic statistics division. "But that's temporary and we maintain our earlier forecast for this year."

Private spending, one of the main growth engines of the Korean economy, fell 0.1% in the fourth quarter from the previous quarter, compared with a 1.5% gain in the third quarter.

Exports, which account for about half of South Korea's GDP, declined 1.8% following a 5.2% rise in the third quarter.

Government spending fell 2.9% compared with a 0.8% decline in the third quarter.

The economy grew 0.2% for the full year, averting the contraction many analysts had expected, but still the worst performance in 11 years. The economy expanded 2.2% in 2008.

At the beginning of 2009, many analysts had expected the economy to show its first full-year contraction in more than a decade, with some pessimists even predicting a fall of as deep as 6%, as overseas demand dried up because of the global downturn.

But the economy recovered far more quickly than expected, helped by fresh demand—mainly from China—and aggressive fiscal and monetary easing by Korean authorities.

—Min-jeong Lee contributed to this article.

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WORLD NEWS

Divided Sri Lanka votes for a leader

Close election pits president against former army chief, both Sinhalese heroes for defeating the Tamil insurgency

Sri Lankans voted Tuesday in the first national election since the defeat of separatist Tamil rebels, choosing between two architects of the insurgents' annihilation during what is shaping up to be a bitter peace.

*By **Matthew Rosenberg** in **London** and **Thavayoganathan Sajitharan** in **Colombo, Sri Lanka***

The fiercely contested race between incumbent President Mahinda Rajapaksa and retired Gen. Sarath Fonseka, the former army chief, exposes how deep the ethnic divide remains in Sri Lanka after more than a quarter century of civil strife ended in May with the defeat of the Liberation Tigers of Tamil Eelam, who fought for Sri Lanka's Tamil minority.

Messrs. Rajapaksa and Fonseka are considered heroes among the country's Sinhalese majority for their role in ending the civil war. Mr. Fonseka's entrance into the race after he bitterly resigned last year as army chief over being shifted into a largely ceremonial role has resulted in a far closer contest than originally expected; going into the vote, observers said the race was too close to call.

With the Sinhalese vote evenly split, that has left the Tamils, who make up about a fifth of Sri Lanka's 21 million people, in a position to decide the election.

Yet as a group, the Tamils entered Tuesday's vote dispirited. Many Tamils view the election as a choice between a pair of war criminals: Thousands of Tamil civilians were killed in the war's final showdown, and about 100,000 remain interned in camps.

International and local human-rights groups have also accused Messrs. Rajapaksa and Fonseka of war crimes. Sri Lanka has so far rebuffed U.S. and European pressure to investigate the allegations, and both men deny the charges.

Tamils have faced decades of discrimination, and many supported the Tigers' goal of a Tamil homeland, even if they were wary of the often-brutal rebels, who grew infamous for pioneering the use of suicide bomb vests.

But neither of the two leading candidates has offered more than vague assurances of addressing the grievances of the largely Hindu Tamils and promoting reconciliation with the Sinhalese, most of whom are Buddhist.

Many Tamil politicians say the potential for another conflict exists if the community's grievances aren't sufficiently addressed, although there appears to be little prospect of renewed war in the near future.

Associated Press

Supporters of presidential candidate Gen. Sarath Fonseka cheer Tuesday.

Many Sinhalese, in contrast, appeared more concerned Tuesday with the rising price of staples, such as rice. Among Fonseka supporters, there was also concern that Mr. Rajapaksa has named family members to top government posts.

"The people have not been allowed to enjoy the dividends of peace," said Sugath Perera, a 31-year-old computer engineer in Colombo. "It has been made the sole property of the Rajapaksa family."

Mr. Rajapaksa's aides deny allegations of nepotism and say relatives who have been given jobs are qualified for their posts.

On Tuesday, the opposition said Mr. Fonseka's name didn't appear on the voter registration roll—meaning he couldn't actually vote—and claimed the problem was a sign of irregularities.

Election officials said Mr. Fonseka could remain a candidate even if his name didn't appear on the rolls. But hours after voting ended, the government said it would challenge the legitimacy of his presidential run in court.

Sri Lanka's ethnic divide was apparent in Tuesday's voting patterns, too. Turnout in southern, Sinhalese-dominated areas was more than 70%, said People's Action for Free and Fair Election, a local monitoring group. In the Tamil north, less than a third of eligible voters turned out.

The low Tamil vote may also have been because of fears of violence following a few explosions before the start of voting in Jaffna, a northern city that is predominately Tamil. The cause of the blasts wasn't immediately clear, and no deaths or injuries were reported.

Official turnout figures for the 14 million registered voters weren't immediately available. In total, 22 candidates were competing, and results were expected Wednesday.

Low Tamil turnout could hurt Mr. Fonseka. While his political views remain unclear, he has courted the Tamil vote through political alliances with moderate mainstream politicians and Tamil parties, including the Tamil National Alliance, once closely aligned with the Tigers. Mr. Rajapaksa is backed by right-wing Sinhalese nationalists.

India stands tall in Republic Day celebrations

Associated Press

Soldiers perform on a motorcycle Tuesday during a parade in New Delhi. Security was tight owing to a recent terror alert.

U.K. economy exits recession, barely

By Neil Shah

The British economy barely crawled out of recession late last year, highlighting the country's lagging position compared with major rivals and amplifying fears of a potential relapse this year.

In its preliminary estimate Tuesday, the Office for National Statistics said economic output rose 0.1% in the fourth quarter of last year from the third, and fell 3.2% from the year-earlier period. The anemic gross domestic product reading officially ended a recession that began in the second quarter of 2008, but economists had expected a rise of 0.4% from the previous quarter.

The U.K. economy, heavily dependent on the financial sector and fueled by high levels of consumer debt, continues to lag behind the U.S., France and Germany in recovering from the global recession. The U.S. will report its own estimate of fourth-quarter GDP on Friday.

Many economists said the U.K.'s initial fourth-quarter GDP reading could still be revised upward, but the weaker-than-expected report has heightened fears that the U.K. recovery will be uneven, at best. Indeed, economists said the U.K. could struggle with only tepid growth as various stimulus efforts, especially a temporary cut in the national sales tax, come to an end.

The bad news hammered the U.K. pound, which sunk 0.7% against the U.S. dollar to $1.6151 , after rising a day earlier on expectations of a stronger GDP report.

"The economy clearly isn't going to be as strong going forward," says Douglas McWilliams, chief executive of the Centre for Economic and Business Research, a London-based economics consultancy. While Tuesday's figures will likely be revised higher, he says, "2010 will continue to be a tough year," with only muted growth this quarter.

The Office for National Statistics said the U.K. economy shrank 6% from April 2008 through September 2009, the deepest slump since the government began maintaining records in 1955. Before the recession, the U.K. had 63 consecutive quarters of growth stretching back to late 1992, according to the Organization for Economic Cooperation and Development. Britain's return to growth is good news for Prime Minister Gordon Brown's governing Labour Party, which must hold elections by June 3. The U.K. government had forecast growth would return early this year.

But the feeble figure also underscores the persistent weaknesses of the U.K. economy and could pose a challenge for British politicians vying for voters in the coming months.

Economists worry that the U.K. consumer-debt binge during the boom will hamper Britain's recovery this year. At the end of 2008, the average British household had a debt-to-income ratio of 181.4% compared with 131.6% for the average U.S. family, according to the OECD.

Meanwhile, personal savings rates in Britain are rising, suggesting consumers are cutting back and reducing debt rather than splurging. While that should help the U.K. economy in the longer term, it poses near-term problems by putting a cap on consumer spending, which fuels some 65% of U.K. economic output.

WORLD NEWS

Most foreign Ph.D.s remain in U.S.

By David Wessel

The bulk of foreigners who come to the U.S. to earn doctorates in science and engineering are staying in the U.S. after graduation—at least so far—despite fears that post-9/11 U.S. hostility to immigrants or expanding opportunities in China and India would lead more of them to return home.

Newly released data reveal that 62% of foreigners holding temporary visas who earned Ph.D.s in science and engineering at U.S. universities in 2002 were still in the U.S. in 2007, the latest year for which figures are available. Of those who graduated in 1997, 60% were still in the U.S. in 2007, according to the data compiled by the U.S. Energy Department's Oak Ridge Institute for Science and Education for the National Science Foundation.

Foreigners account for about 40% of all science and engineering Ph.D. holders working in the U.S., and a larger fraction in engineering, math and computer fields. "Our ability to continue to attract and keep foreign scientists and engineers is critical to...increase investment in science and technology," Oak Ridge analyst Michael Finn said.

"Data for all available cohorts indicate that 'stay rates' of foreign science and engineering doctorate recipients in 2007 are slightly higher than they have been in recent years," Mr. Finn said. His findings, which use tax data to track graduates, cover the years before the U.S. plunged into a recession that damped job prospects in many U.S. industries and universities.

Other analysts see signs that recent foreign grads are increasingly likely to return home, particularly in today's weak job market. "I have no doubt that the 2009 data will show a dramatic shift," said Vivek Wadwha, executive in residence at Duke University's Pratt School of Engineering, who has been warning loudly about the threat that trend would pose to innovation in the U.S. In October 2008, Mr. Wadwha and others used Facebook to question 1,224 foreigners studying at U.S. institutions at all levels. More than half the Indians and 40% of the Chinese said they hoped to return home within five years.

Separate NSF surveys show the fraction of foreign Ph.D.s planning to stay in the U.S. dipped in the years following the Sept. 11, 2001, terrorist attack and then rebounded. Nearly 80% of those with temporary visas surveyed in 2007 said they planned to stay; more than half had definite plans to do so.

Joy Ying Zhang, the son of a primary-school teacher and a college professor, left China's Hunan Province in 1999 for Detroit's Wayne State University, arriving with two suitcases and $2,000 in cash. He later transferred to Carnegie Mellon University, which awarded him a Ph.D. in computer science in 2008.

Four or five of his friends have returned to China, he said, and he has discussed doing so. But Mr. Zhang, now a research assistant professor at Carnegie Mellon's Silicon Valley campus, has decided stay. "I have spent 10 years here already," he said. "It took me some time to get used to American life. Now, it'd be hard to get used to China. It's called 'reverse culture shock.' "

In recruiting for Carnegie Mellon, though, he finds young Chinese less eager to come to the U.S. than those of his generation. "Life in China is getting better. There are research alternatives in China—like Microsoft China," he said. "They can get good mentoring and advice there, instead of coming to the U.S."

In 2007, foreign citizens accounted for 16,022 of the Ph.D.s awarded in science and engineering in the U.S., or 46% of the total, according to the Oak Ridge data. In contrast, the class of 1997 had 12,966 foreigners, or 30% of the total.

The NSF said recently that the number of foreign science and engineering students enrolled in graduate programs of all types hit 158,430 in April 2009, up 8% from the year before.

Who stays?

Percentage of foreigners receiving science and engineering doctorates in 2002 who were in the U.S. in 2007

	Total	% in U.S. five years later
China	2139	92%
India	615	81
Canada	258	55
Germany	164	52
Taiwan	451	43
Turkey	315	42
South Korea	814	41
Japan	144	33
Mexico	173	32
Brazil	119	31

Source: U.S. Energy Department's Oak Ridge Institute for Science & Engineering

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WORLD NEWS

U.S. deficit paints grim view

Report says budget gap to hit $1.35 trillion in 2010, laying out challenges for Obama

By John D. McKinnon

Congressional experts pegged the 2010 U.S. budget deficit at $1.35 trillion, a slight improvement from the $1.38 trillion estimate in August, but the overall picture of the government's finances remains bleak, according to the annual report released Tuesday.

The Congressional Budget Office said the government will run an aggregate deficit of almost $6 trillion during the next decade, a level that many economists worry is unsustainable in the long run, and could lead to currency shock, inflation, crippling interest rates or other economic maladies.

The CBO estimate is almost certainly an understatement of the long-term problem. President Barack Obama and many lawmakers in both parties plan to extend many of the Bush-era tax cuts that are set to expire at year end. Officials also want to continue providing relief to taxpayers from the alternative-minimum tax, another break that is costly to the government's finances. Those tax policies—if enacted later this year—would add several trillion more to the deficits that aren't counted under the CBO's system.

CBO also is assuming that annual spending rises with inflation, while Congress in recent years—even before the recent recession—has been boosting spending at higher rates.

"Under current law, the federal fiscal outlook beyond this year is daunting," CBO Director Doug Elmendorf said on his blog Tuesday morning. "Projected deficits average about $600 billion per year over the 2011–2020 period. ... Those accumulating deficits will push federal debt held by the public to significantly higher levels.

"At the end of 2009, debt held by the public was $5.8 trillion, or 53% of GDP; by the end of 2020, debt is projected to climb to $15 trillion, or 67% of GDP. With such a large increase in debt, plus an expected increase in interest rates as the economic recovery strengthens, interest payments on the debt are poised to skyrocket."

The CBO also predicts that economic growth in the next few years will be muted in the wake of the financial crisis of 2008.

To dramatize its concern over the deficit, the Obama administration is proposing a three-year freeze on some types of domestic spending. But the effort won't have much impact on the short-term deficit. The freeze, which is expected to be included in Wednesday's State of the Union address, would affect about 17% of the federal budget that covers non-security-related discretionary spending.

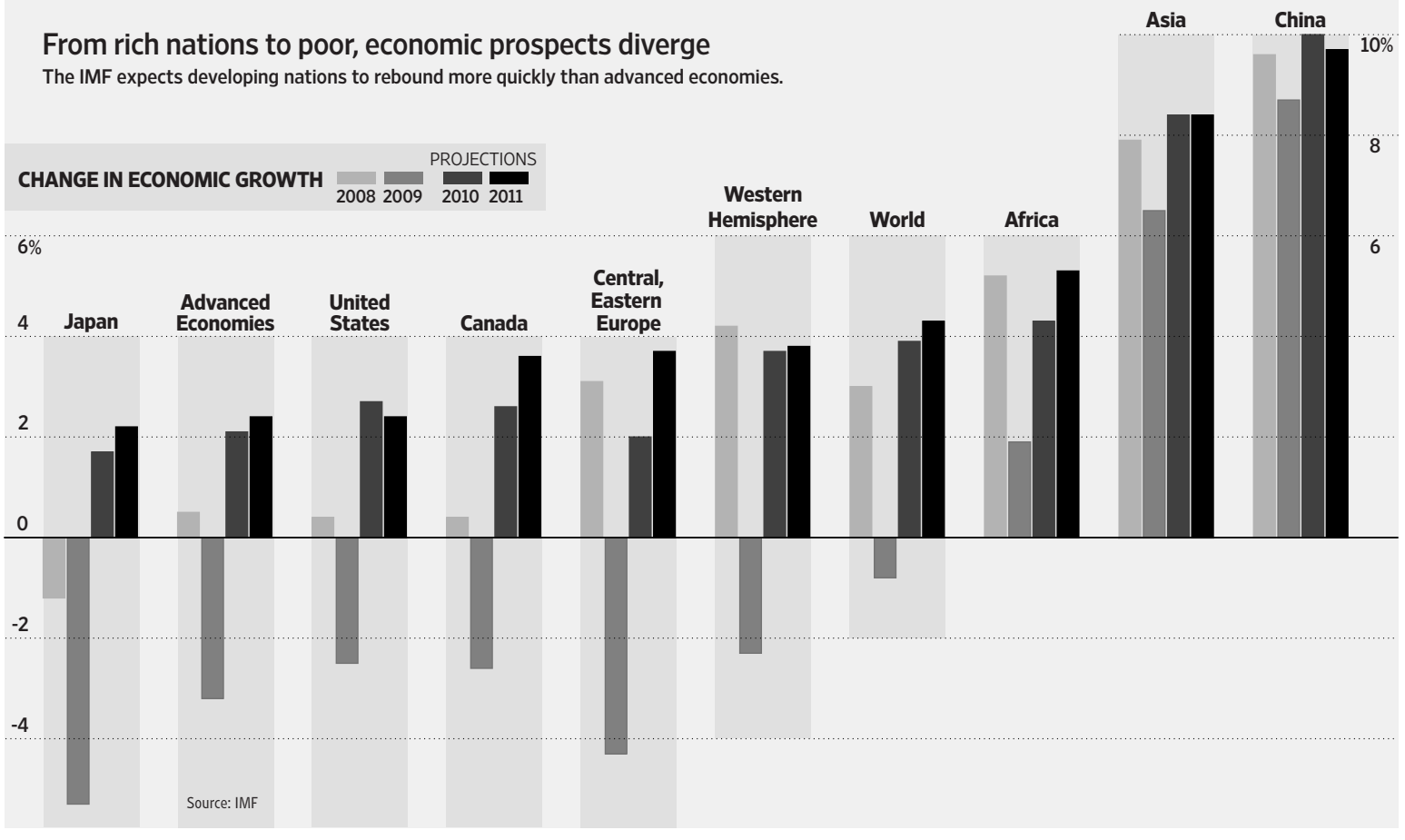
House Republicans scoffed at the policy move.

"This must be the political season that David Axelrod suggested," House Republican aide Brian Patrick wrote in a blast email to reporters, "since just 41 days ago, the President himself signed an omnibus bill with a 12% spending increase into law. ... If the President has had a change of heart since signing the omnibus just 41 days ago, perhaps he'd consider rescinding the 12% increase that he supported, as well as ruling out more wasteful stimulus spending."

The administration also has been considering ways to develop a broadly bipartisan deficit-reduction plan—for example, through a commission that would develop plans over the next year for long-term spending cuts and revenue increases. The Senate was expected to vote on Tuesday on a relatively powerful version of the commission, one with the ability to place its plans directly before Congress for an up-or-down vote.

But passage was doubtful. Congressional leaders and rank-and-file members alike are concerned that a deficit-reduction commission would rob them of much of their authority over spending and taxes.

That could lead the administration to create a weaker version of the commission—one that could have difficulty securing a congressional vote for its recommendations. That would leave the U.S. government's finances adrift for another year, without a solution to the long-term deficit problem.



IMF sees developing nations leading way

By Tom Barkley

WASHINGTON–Countries around the world have emerged from recession more quickly than expected, but the International Monetary Fund warned that managing post-crisis growth is becoming complicated by the divergence in advanced and developing economies.

The IMF presented a much brighter outlook for this year, with the world economy forecast to expand at a 3.9% pace instead of the 3.1% estimate given in October. Global growth is expected to continue to pick up in 2011, with the forecast edging up to 4.3% from 4.2%.

The rebound will increasingly be driven by developing countries as public stimulus measures recede, the IMF said, trimming some advanced-economy forecasts for next year given continued weak private demand and credit constraints.

"The global recovery is off to a stronger start than anticipated earlier but is proceeding at different speeds in the various regions," the IMF said in its update to the World Economic Outlook. "Policies need to foster a rebalancing of global demand, remaining supportive where recoveries are not yet well sustained," it said.

Most advanced economies will remain "sluggish," the fund said, with the group expected to expand 2.1% this year and 2.4% in 2011. Internal demand in many emerging and developing markets will provide "relatively vigorous" growth, the IMF said, forecasting 6% growth in 2010 and 6.3% in 2011.

The divergence in growth paths raises significant policy challenges, as some developing countries are facing the risk that surging inflows will cause new asset bubbles at a time when many advanced economies continue to rely on extraordinary support measures.

The unprecedented policy support has raised concerns about sovereign-debt risk, the fund said, but it continued to warn that "a premature and incoherent exit from supportive policies may undermine global growth and its rebalancing."

The IMF acknowledged the difficulty of timing exit strategies. Once private demand becomes sustainable, countries should consider concerns about debt levels, asset-price bubbles and currency appreciation, it said.

A risk is that rebounding commodity prices could hamper growth, though IMF chief economist Olivier Blanchard said the chance of another oil-price jump is "quite limited."

More senators show support for Bernanke

By Sudeep Reddy And Greg Hitt

More senators stepped up to support a second term for Federal Reserve Chairman Ben Bernanke as business interests rallied to his defense and liberal grass-roots activists launched a push for his defeat.

The latest tally by Dow Jones Newswires showed 40 senators supporting confirmation and 17 opposed, with the rest not disclosing their positions. Democratic leaders remained confident they would have the 60 senators needed to move ahead when the vote comes, now expected Thursday or Friday.

The White House and its congressional allies have been working to solidify support for Mr. Bernanke. After meeting with Mr. Bernanke for a half an hour Monday, Senate Majority Whip Richard Durbin told reporters he expected the nomination to be approved. But when asked whether it is in trouble, he stressed he was working hard to build support. "We're taking it seriously," he said, noting that many senators on both sides of the aisle are concerned about the economy. "I don't take anything for granted," the Illinois Democrat said.

Mr. Durbin said the central-bank chief acknowledged economic policy makers made mistakes ahead of the recession. But "putting this all at his doorstep may be going too far," he said. "This man and his leadership at the Federal Reserve made a difference" in staving off an even steeper decline.

The liberal political-action committee MoveOn.org asked members to contact senators who were undeclared on the Bernanke nomination and urge a vote against him. The group cited the Fed's shortcomings in mortgage regulation ahead of the financial crisis, among other things, and said Mr. Bernanke "has completely ignored his responsibility to help fight massive unemployment."

The U.S. Chamber of Commerce, meanwhile, wrote to senators in support of Mr. Bernanke. "We will need the Federal Reserve to...gradually re-absorb that liquidity to achieve its dual goals of price stability and economic growth," the business group's lobbyist, Bruce Josten, wrote in the letter. "The Chamber is convinced that as one of the architects of the plan that has brought us to this point, Chairman Bernanke is the right person to head the Federal Reserve System during this vitally important second phase."

Camden Fine, chief executive of the Independent Community Bankers of America, also urged senators to vote for Mr. Bernanke. "It's unfortunate that his nomination has become a political football," he said. "If there's any sign that his confirmation might be in any deeper trouble we would immediately go grassroots and ask thousands of community bankers to contact their senators," he said.

Sen. Joseph Lieberman of Connecticut, one of the chamber's two independents, declared his support for Mr. Bernanke. The other independent, Sen. Bernie Sanders of Vermont, has been leading the charge against the Fed chairman.

The Fed's policy committee, the Federal Open Market Committee, began a two-day meeting Tuesday.

—Elizabeth Williamson, Robin Sidel and Corey Boles contributed to this article.

WORLD NEWS

Gates pushes for aid

Philanthropist urges nations to increase budget for helping others

By Robert A. Guth

Bill Gates, in an open letter, has called on governments around the world to boost foreign aid budgets even as they grapple with the effects of the global recession.

In an annual letter Monday outlining the work of his philanthropy, the Bill & Melinda Gates Foundation, the **Microsoft** Corp. cofounder acknowledged that government budget deficits and debt create "significant risk that aid budgets will either be cut or not increase much."

The threat is exacerbated by the competing priority of global warming, which is expected to tap more public money from nations over the next decade. "I am concerned that some of this money will come from reducing other categories of foreign aid, especially health," he wrote.

The note is the second annual letter from Mr. Gates, who in 2008 left full-time work at Microsoft to focus on his philanthropy, the world's largest private foundation, with an endowment of $34 billion. The letter is modeled after the letter to shareholders penned each year by Warren Buffett, Mr. Gates's close friend and head of **Berkshire Hathaway** Inc.

Mr. Gates's note reflects the broader impact of the recession on the business of global development and disease-fighting. The global recession hit just as a host of governments, nonprofits, aid organizations and donors kicked off ambitious efforts to advance living standards in developing countries and fight diseases such as malaria and rotavirus, a cause of severe diarrhea that kills children.

But pressures on government budgets and a drop in private funding is threatening that work.

Last week, Margaret Chan, director-general of the World Health Organization, told an assembly of health officials that funding to sustain progress in global health programs is "precarious."

In his letter, Mr. Gates wrote that although the "acute financial crisis is over, the economy is still weak and the world will spend a lot of years undoing the damage."

The 17-page note reviewed his foundation's work in 2009, highlighting developments in vaccines, education and agriculture in developing countries.

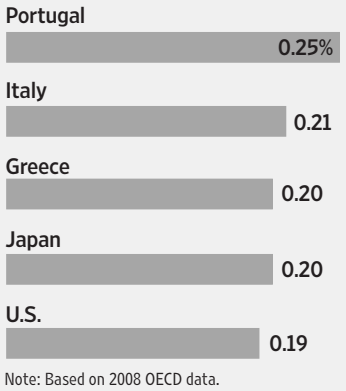
Mr. Gates broke down major countries' aid as a percentage of their gross domestic product, noting that by that measure, aid from France and Japan has dropped.

Associated Press

Bill Gates's foundation donates to causes such as vaccine development.

International aid

A Gates Foundation report cites these wealthy nations as giving some of the lowest percentages of foreign aid relative to GDP.



Note: Based on 2008 OECD data.

U.K. arrests man under terror act

By Alistair MacDonald

British police said Tuesday they have arrested a man under the Terrorism Act, a move which comes days after the U.K. raised its terror alert from "substantial" to "severe."

Officers from the West Midlands Counter Terrorism Unit arrested a 30-year-old man from Birmingham, Britain's second largest city, Tuesday morning. The man was arrested on suspicion of possessing material likely to be of use to a terrorist and of "distributing terrorist publications," the police said.

The man's home address and one other residential property in the Kings Heath part of the city were being searched and computer equipment has been taken away for analysis, the police said, declining to give further details.

"This arrest comes as a result of a long, detailed and ongoing enquiry," said Detective Superintendent Kenny Bell, the counterterrorism unit's head of investigations.

The U.K.'s Home Office said Friday it had increased the terror alert because of a pick up in "intelligence chatter" about a possible threat to the U.K. Still, Home Secretary Alan Johnson said there is no evidence to suggest that an attack is imminent. The U.K. considers itself a target for potential attacks by radical Islamists given its involvement in Iraq and Afghanistan, and the perception that it is the U.S.'s main foreign policy ally.

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THE PROPERTY REPORT

Hong Kong housing market retreats

Residential property transactions fell in the fourth quarter as potential buyers wait for changes in policy

By Chester Yung And Joyce Li

Analysts have mixed views about the outlook for Hong Kong's property market this year. Here, residential buildings in the Kowloon area.

Bloomberg News

HONG KONG—Hong Kong's de facto central bank said the city's residential property market cooled in the fourth quarter, allaying concerns a real-estate bubble may be forming, though it noted the city's asset markets remain vulnerable to international capital flows.

Home prices jumped 27% last year as Hong Kong emerged from recession and funds poured into the city from mainland China amid a credit boom. To ease public concerns about home prices becoming unaffordable, the Hong Kong government has said it will fine-tune its land-supply policy to avert a bubble if necessary, while other agencies have moved to keep a lid on prices.

The Hong Kong Monetary Authority said in a document submitted to the legislature Tuesday that monthly residential property transactions fell to about 9,000 in December, from more than 11,000 in September. Land Registry figures also show Hong Kong's total property transactions—not just residential deals—fell 0.7% in December to 11,112 from November, while the total value of all transactions fell more than 10% to 42.86 billion Hong Kong dollars (US$5.52 billion) from the previous month.

Those declines came as potential home buyers delayed purchases on the possibility of economic policy adjustments following the runup in prices.

The government has recently shown signs it is willing to increase land supply. In December it held a land auction for two major sites in the New Territories, and it has approved the conversion of two plots of farm land owned by blue-chip **Henderson Land Development** Co. into developable sites.

The HKMA has also been stepping up its rhetoric, repeatedly warning banks about offering competitive mortgage rates. Government-run Hong Kong Mortgage Corp. has offered an extended fixed-rate loan program to help low-income home buyers.

Analysts have mixed views on the outlook for Hong Kong's property market. Many believe the downside is limited and mass residential prices could even rise as much as 10% this year because of low interest rates and pent-up demand from end-users.

But others warn of some correction this year, because of an outflow of funds, especially from China, as Beijing has begun to tighten its monetary policy.

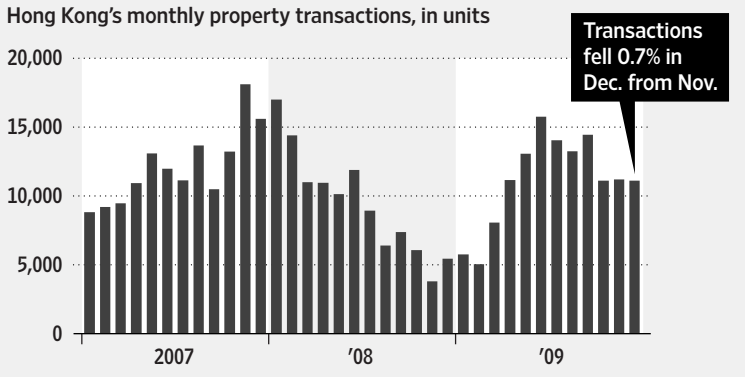
Hong Kong's commercial-property sector has also been improving. Grade-A office rents in most districts stabilized in the fourth quarter, while those in the core business district of Central may even rise 5% in the first half of this year, property adviser DTZ said Tuesday.

Hong Kong's overall grade-A office rents stood at HK$44 a square foot in the fourth quarter, unchanged from the previous quarter, as Hong Kong's economic environment improved, DTZ said.

The HKMA also said uncertainties over the global economic recovery and the timing of stimulus exit strategies by other governments will pose risks to Hong Kong's economy this year.

Cooling market

Hong Kong's monthly property transactions, in units



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FROM PAGE ONE

Pressure rises on U.S.-China duo

Continued from first page

wish to cede management of world affairs to Washington and Beijing, and developing countries would oppose it too," says David Shambaugh, a China specialist at George Washington University who is currently a visiting scholar at the Chinese Academy of Social Sciences.

Despite its growing heft, China still prefers to act as part of a group of other developing countries, to avoid standing in the limelight and attracting pressure and criticism. Characteristically, Mr. Wen invited the leaders of India, Brazil and South Africa to the crucial meeting with Mr. Obama in Copenhagen.

Beijing fears a global leadership role would force it to take on responsibilities that it isn't ready for, such as doing more to cut carbon emissions, say analysts.

China prefers to style itself as a poor country largely focused on its own affairs—a low-key approach in keeping with late leader Deng Xiaoping's instruction to "hide one's capacities and bide one's time." The Chinese leadership even disputes the idea that China is a global economic power.

It is a losing argument. Beijing's economic might has become far too great to hide.

China is widely tipped to overtake Japan as the world's second biggest economy this year. The country's gross domestic product is set to overtake the U.S.'s in 17 years, according to Goldman Sachs' chief economist Jim O'Neill.

Chinese Premier Wen Jiabao has rejected the idea of a G-2, and history suggests a partnership between an established power and a rising one is a stretch.

The U.S. and China are already the world's biggest trading nations. China has the world's second-biggest defense budget, although analysts say it will be many decades before it can match U.S. military capabilities.

Achieving parallel adjustments in both economies could be the key to rebalancing the global economy, many officials and analysts in Davos are likely to argue.

China will have to take more responsibility for the global order before long, Mr. Bergsten argues. "When you become an economic superpower, your actions have such an impact on the global system that it feeds back into your own interests, so you have to take that into account," he says.

For example, China's insistence on keeping its currency pegged to the dollar at a rate lower than market forces would dictate risks sparking a protectionist backlash in the U.S., Europe and elsewhere, which would harm China's export-dependent economy. China's interests should make it a guardian of an open world trade regime, Mr. Bergsten says.

Abdulmutallab in 50 Minutes

The attempted Christmas Day destruction over Detroit of Northwest Flight 253 by Umar Farouk Abdulmutallab is fading from public memory as a fortunate near-miss. This incident should not fade from view. As more information emerges, the picture it paints about the antiterror mindset of the current U.S. government is—there is no other word—scary.

Last week in these columns, we discussed Director of National Intelligence Dennis Blair's Congressional testimony on the Abdulmutallab case. This was Mr. Blair's famous "duh" remark about the government's failure to invoke the new High-Value Detainee Interrogration Group (HIG) to question Abdulmutallab. A remarkable Associated Press story this past weekend makes clear that "duh" was mainly another word for disgust inside the intelligence bureaucracy over what happened that day in Detroit.

Here, compressed, is AP's account of how Abdulmutallab was handled after the plane landed. Read it and weep.

He was taken to the hospital by U.S. Customs agents and local cops, to whom he babbled that he was trying to blow up the plane.

Agents from the FBI's Detroit bureau were called in about 2:15. He "spoke openly" and admitted he was from al Qaeda in Yemen. Under a Miranda exception meant to let officials find out fast if another bomb is imminent, the agents didn't issue the standard self-incrimination warning. He talked for 50 minutes. Then, to let the suspect's medications wear off, the interrogators stopped.

> The more we learn, the worse White House policy looks.

Five hours later, the FBI in Washington said it wanted a new interrogation team to do a second interview. This new group of FBI interrogators is called a "clean team."

The AP explains: "By bringing in a so-called 'clean team' of investigators to talk to the suspect, federal officials aimed to ensure that Abdulmutallab's statements would still be admissible if the failure to give him his Miranda warning led a judge to rule out the use of his first admissions . . . . In the end, though, the 'clean team' of interrogators did not prod more revelations from the suspect."

After he was rested and revived, Abdulmutallab was given his Miranda warning. He never said another thing.

On "Fox News Sunday," Chris Wallace asked White House Press Secretary Robert Gibbs whether the President was told that Abdulmutallab was Mirandized after only 50 minutes of interrogation. Mr. Gibbs said the decision was made "by the Justice Department and the FBI" and insisted they got "valuable intelligence."

Abdulmutallab

This is awful. This talky terrorist should have been questioned for 50 hours, not 50 minutes. More pointedly, Abdulmutallab should not have been questioned by local G-men concerned principally with getting a conviction in court. He should have been interrogated by agents who know enough about the current state of al Qaeda to know what to ask, what names or locations to listen for, and what answers to follow up. The urgent matter is deterring future plots, not getting Abdulmutallab behind bars.

It gets worse. Appearing before Congress last week, FBI Director Robert Mueller admitted that the HIG group essentially doesn't even exist yet. They haven't pulled it together.

Recall that in August Mr. Obama announced the intention to create a multi-agency HIG, transferring lead responsibility for interrogations away from the CIA and into the FBI, with techniques limited to the Army Field Manual.

And worse. As a Wall Street Journal account of last week's Senate Judiciary hearings noted, the HIG team is intended only for interrogations overseas; the Administration hasn't decided whether to use it domestically. In any event, that's moot until there is an HIG team.

We hope the appropriate committees of Congress do not let this drop, for many obvious reasons. We'll make one point:

Ultimately, the national security bureaucracies take their signals from the top. In August Mr. Obama and Attorney General Eric Holder made it clear that their war on terror would be fought inside the framework of Miranda and the civilian justice system. Before Justice ordered him Mirandized, would-be suicide bomber Abdulmutallab thus gave us 50 minutes in the mortal war against al Qaeda.

It has to get better than this. But it won't unless the President throws his weight publicly behind the officials who want to make it better than this.

'No Bed-Wetting'

Even as President Obama makes a show of political modesty after losing Massachusetts, Congressional leaders are trying to rekindle the cinders left among the health-care ashes. Plan B still seems to be to dragoon enough panicking House Democrats into passing the Senate's Christmas Eve bill, and to that end the White House reactivated campaign manager David Plouffe over the weekend.

> David Plouffe's call to arms.

"No bed-wetting," Mr. Plouffe declared in a Washington Post op-ed. As a call to arms this leaves something to be desired, though it does suggest the political unreality that still prevails among Democratic leaders.

A new poll released Monday by the Pew Research Center on the public's priorities reveals the real reasons ObamaCare is in intensive care. Jobs and rehabilitating the economy understandably top the list, with 81% and 83% of voters rating these as a "top priority." Reducing health-care costs (57%) fell from 69% in 2008, and is now behind terrorism (80%), education (65%), deficit reduction (60%) and even Medicare (63%) and Social Security (66%).

Our guess is that this decline is because Democrats have tipped their hand in the last year about *how* they plan to reduce those costs via ObamaCare—namely through central planning and price controls that would limit access to care. Meanwhile, health insurance reform clocked in at 49%, which at least makes it far more popular than the Administration's cap-and-tax global-warming agenda. A mere 28% ranked climate change as a political priority.

This collapsing public support is what's eroding ObamaCare's chances in Congress. Scott Brown's election in Massachusetts is looking like an excuse for many Democrats to do what they have probably wanted to do for months anyway. The toxic political environment became even clearer Monday with Beau Biden's announcement that he will not run for his dad's old Delaware Senate seat this year (despite reports to the contrary from the Vice President's office on Sunday). Arkansas Democrat Marion Berry also announced that he'll retire this year after seven terms, telling local media that the current health-care debate looks a lot like 1994 to him.

Wednesday's State of the Union may reveal whether the White House is going to stick with its so-crazy-it-just-might-work strategy to save ObamaCare. It would be wiser to pack it in and start over.

Hong Kong Tea Party

Five Hong Kong legislators resigned yesterday to do something the government has so far refused to do—hold a ballot on democracy in the territory. It's long been clear that the overwhelming majority of the population yearns for democratization. The real lesson of this quasi "referendum" is how the Communist Party's fear of basic freedoms has polarized Hong Kong society.

Beijing and its acolytes have done everything in its power, short of forcing the legislators to stay in office, to stop the five Civic Party and League of Social Democrat politicians from resigning. The State Council's Hong Kong and Macau Affairs Office called the move a "blatant challenge" to the territory's mini-constitution, the Basic Law, earlier this month. Secretary for Constitutional and Mainland Affairs Stephen Lam advised the five to "rein in the horse at the edge of the cliff." There's now talk that the pro-Communist parties will boycott the special election, rendering its meaning moot.

> The resignation of five legislators speaks volumes about Beijing.

Hong Kong and China would be better served to have a competitive ballot. As Civic Party leader Audrey Eu explained yesterday, "There is no reason to fear the people's will." If China really were serious about advancing universal suffrage in the territory—as it promised—it would embrace the idea of competitive elections. Polling shows that the democrats might lose a few seats if the polls are allowed to proceed. Stonewalling will only fire up a public that's starting to get frustrated with a lack of democratic accountability on a range of issues, from big-business cronyism to expensive public works projects.

China also doesn't win friends by selling propaganda lines to the Hong Kong public, one of the most sophisticated electorates in the world. There's nothing in the territory's mini-constitution, the Basic Law, that makes the resignations illegal. Hong Kong operates under a common law system, so actions that aren't explicitly prohibited are permitted. Saying otherwise simply isn't true—and at the very least, Hong Kong's own politicians should say so, rather than parrot Beijing.

The democrats are taking a gamble by resigning. The Democratic Party isn't participating in the resignations, nor is the Liberal Party. As it is, pro-democracy legislators hold 23 out of 60 seats, giving them veto power by only a narrow plurality. They also risk alienating supporters who would prefer democrats to support narrow increases in suffrage proposed by Chief Executive Donald Tsang.

The more of an issue Beijing and its friends make of this mini-tea party protest, the bigger it will become. As Hong Kongers have demonstrated in the past, they are happy to go about their daily lives until their freedoms are arbitrarily threatened. If China wants real long-term stability in Hong Kong, it will give the Hong Kong people a real voice.

OPINION

Letters To The Editor

* * *

Burma is a Mere Pawn of China

Regarding Kelley Currie's op-ed on Indian foreign policy toward Burma ("India Can Move the Needle on Burma," Jan. 19):

The Burmese arms buildup is not the dream child of a megalomaniac or errant general. It is a carefully orchestrated move by the Chinese to have an offensive front against India, using Burma as a proxy. There is no other reason for Burma to arm itself with offensive or defensive weapons, as neither its Association of Southeast Asian neighbors, India nor Bangladesh harbor any territorial ambitions there. For authoritarian control of its population or quelling civil revolts, conventional weapons are more than adequate.

China periodically rakes up the border issue with Delhi because it's not content with China's "illegal" occupation of Tibet and millions of square miles of India's Himalayan territory in the 1960's. China has laid claim to India's northeast state of Arunachal Pradesh. If Burma were fully armed and backed by China, India would have to fight on many fronts. As it is, India is already dealing with its own Maoist insurgency in its eastern states.

Manmohan Singh

India has no reason to trust Burma or China. Zhou Enlai betrayed Jawaharlal Nehru's trust and the Pansheel principles almost 50 years ago. Since then, Beijing has not given India any reason to trust Beijing further. But India's own leadership, headed by the pacifist Prime Minister Manmohan Singh, spends more effort in talking and complaining than reassuring Indians that our future is safe.

Sydney Prabhu
Samutsakorn, Thailand

* * *

Learning From Scott Brown's 'Tea Party'

Regarding your editorial "Boston Tea Party" (Jan. 21): I reside in Massachusetts. I did not vote "for" Scott Brown. I voted "against" Martha Coakley, ObamaCare and the entire Democratic push toward bigger government. I am not a Democrat. I am not a Republican. I am an independent (small "i," meaning I think for myself).

I am not a conservative. I am not a liberal. I am a Thoreauvian, believing that government is best which governs least.

I do not need, want, or expect a town, city, state or federal government to take care of me. I am perfectly capable of taking care of myself if these governments would please get out of my way and stop passing laws that restrict my individual choice.

Robert Allan Schwartz
Lexington, Mass.

For the Scott Brown victory in Massachusetts to turn into a national tidal wave for Republicans, the political dynamics must change from "push" to "pull." Mr. Brown's victory was largely the result of independents feeling pushed out of the Democrats' sphere. Lacking, at this point, is a pull toward a compelling Republican platform along with a bench of credible congressional candidates who sound just like Scott Brown.

Dick Wisott
Littleton, Colo.

* * *

Develop, Don't Aid

Spot on, Bret Stephens, on your op-ed on the perils of foreign aid ("Help Haiti, End Foreign Aid," Global View, Jan. 20):

Mr. Stephens's argument is also applicable to any poor country—and to the United States, given the current bailouts. Columbia economist Jeffrey Sachs and others like to spend taxpayers' money without asking them for their authorization. Very democratic. . .

But you forgot to mention the solution: commercial microfinance. Since World War II, the developed world has thrown more than $500 billion of aid at Africa. Had we instead loaned $100 to every African, the landscape there would be rather different today.

Alexandre de Lesseps
Hong Kong

* * *

Old Graffito Recalls a Happy Marriage

Regarding Jan Morris's "Graffitists" (op-ed, Jan. 6): When its bark is cut with a knife, a quaky (quaking aspen) scars, turning the thin cut into a dark, thick line that stands out against the white bark. In about 1966, while on a horse in the mountains of eastern Arizona, I came across a quaky with a scar of a heart surrounding the characters HEC + JU: my grandfather, who died in 1937, expressing his love for my grandmother, possibly before their 1921 wedding.

Graffiti can be a problem, but I am very grateful for that graffito.

J. H. Colter
Lindon, Utah

Comments? The Journal welcomes readers' responses to all articles and editorials. It is important to include your full name, address and telephone number. Please send letters to the editor to: **Letters@WSJ.com**

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Pyongyang's 'Peace' Ploy

By Chung Min Lee

Seoul

On January 11 the North Korean foreign ministry announced the "urgent" need to conclude a peace treaty as a step toward accelerating denuclearization on the Korean Peninsula. But South Korea and its friends shouldn't be fooled: Pyongyang's newest peace offensive is really an attempt to delay restarting the six-party talks and convince the international community to lift sanctions.

The sincerity of Pyongyang's desire for a peace treaty was belied a few days later by an announcement from the North Korean Defense Commission, which proudly stated that it was prepared for "retaliatory battle" with the South because of Seoul's contingency plans in the case of a North Korean collapse. So much for an olive branch.

North Korea has made its real intentions clear: Senior diplomats in Beijing and Moscow have explained the North isn't going to return to six-party talks unless the United States agrees to peace talks and helps lift U.N. sanctions.

This is just one of more than 20 peace proposals floated by North Korea since the end of the Korean War to replace the 1953 Armistice. In the early 1960s, Pyongyang insisted on a South-North peace treaty once U.S. forces withdrew from South Korea. After the conclusion of the landmark South-North Basic Agreement in 1991, Pyongyang's tactics shifted again; it began calling for direct negotiations with the U.S. and the dissolution of the U.N. body overseeing the armistice agreement.

North Korea's latest overtures to the South aren't what they seem.

In the late 1990s, the deceptive tactics took a more ominous turn. Intelligence sources began to believe North Korea was working on a nuclear device, and meanwhile Pyongyang started to insist on signing a peace treaty with the U.S. as a precondition for denuclearization. Since the North's first nuclear test in October 2006 and its second in May 2009, it has continued to claim that the "constant" threat of war from the U.S., and its nuclear umbrella could only be alleviated by—yet again—direct talks leading to a peace treaty.

It's not as if North Korea doesn't have other options. If Pyongyang were genuinely interested in peace, it could abide fully by the nuclear dismantlement roadmap detailed in its Sep. 19, 2005 agreement in the six-party talks, return to multinational negotiations without preconditions, and pledge not to undertake additional nuclear or long-range missile tests.

The administration of South Korean President Lee Myung-bak has reiterated its commitment to the peaceful resolution of the North Korean nuclear problem and its willingness to engage in a comprehensive dialogue with the North. This was demonstrated yet again earlier this month with bilateral talks over the Kaesong Industrial complex, which is jointly run by both sides.

Mr. Lee has expressed willingness to provide extensive aid and hold high-level talks with his counterpart in Pyongyang if North Korea takes real steps toward reconciliation and a nuclear-free peninsula, coupled with serious attempts to address the plight of South Korean abductees and prisoners of war still held in the North. These steps—instead of endless insistence on "peace treaty" talks and constant threats to obliterate the South—would represent real progress for the Korean people.

Mr. Lee is ambassador for International Security Affairs and Global Issues, and dean of the Graduate School of International Studies at Yonsei University.

India's Road to Progress

By Kamal Nath

In the first decade of the 21st century, India seized the opportunities of the new knowledge economy and sped off down the information superhighway. Now it's time to deal with an urgent task left over from the old low-tech days.

Infrastructure must be India's focus today, for its overhaul will drive our economic growth in this new decade. Above all, we need good roads. And we need to build them quickly to maintain our edge as Asia gets set to lead the world to economic recovery.

As the world's biggest program of public-private partnerships to build roads, India's National Highways Development Project offers huge opportunities to foreign investors, consultants and manufacturers. I am confident we can attract $10 billion of foreign direct investment over the next two to three years. We will do this by offering an unprecedented array of investor incentives ranging from a 10-year tax holiday to cutting red tape and allowing automatic FDI of up to 100% of projects and no government approval required.

This mammoth task is already under way. Work has started on upgrading the entire highway system of India over the next five years.

As highways minister, I am setting a record pace to get the job done. The first $20 billion of contracts will be awarded by June this year and $50 billion within the next 18 months. My target is 7,000 kilometers of new roads per year. When I took over as minister last May, progress was slow at 3-4 kilometers a day. Currently the figure is nine kilometers a day, but I aim to hit our goal of 20 kilometers a day by April.

I am proposing a paradigm shift, making road development an integral feature, indeed the engine, of my country's growth. A World Bank study has assessed that every single rupee invested in the highways sector yields seven rupees in economic value. I believe highways have the potential to contribute around 1.5% to 2% of gross domestic product.

Demand driven by a youthful population, an established middle class and an emerging rural sector guarantee returns on investment. Traffic is already increasing 7% to 10% annually, and our auto industry grew around 12% in the last five years including an impressive 20% cumulative growth between April and December 2009, even as major auto companies around the world suffered in the slowdown.

Plans include several mega-roads, which we define as projects of at least $1 billion and roads and highways stretching over 400 kilometers in length. In total, 17,000 kilometers of expressway network will link new growth centers and change the face of the country.

The National Highways Authority of India is currently developing nearly 6,000 kilometers of road. Work on the Golden Quadrilateral, connecting Delhi, Mumbai, Kolkata and Chennai, is 99% complete. Together with north-south and east-west arteries, this will provide the backbone to the highway network. All other economic centers of our country will be linked to one of these roads. Ultimately, every village will be linked through the rural road network.

Quality roads will connect ports, airports, tourist destinations and religious places. All state capitals will be connected to four-laned national highways. Once this network is ready, we believe it will ensure higher living standards by making better employment available to the rural masses, giving them the opportunity to be true participants in our economic success.

One of the aims of the government is to have inclusive growth, and there is nothing more inclusive than roads. They touch all sections of society and the economy—impacting trade, industry, and agriculture. They traverse all parts of the country, and go through even the most rural areas. Roads are all about connecting people.

We are working hard to address issues such as land acquisition, which I believe to be our biggest challenge. The task of buying from multiple landowners, across several states, can complicate and delay plans. But the government is strengthening processes to overcome obstacles. In addition, rules and regulations relating to investment in the road sector are being changed to make it more attractive to financiers. Cutting red tape and streamlining processes are matters I will personally follow closely as we enter this new and exciting phase in India's history and future.

Mr. Nath is India's minister of road transport and highways.

OPINION

Congress Is Politicizing the Fed

By Richard W. Fisher

Teddy Roosevelt once remarked of a financial crisis: "When people have lost their money, they strike out unthinkingly, like a wounded snake, at whoever is most prominent in the line of vision." Late last week, we saw the Senate strike out at Federal Reserve Chairman Ben Bernanke. His nomination for a second term was the first to come into Washington's line of vision in the immediate aftermath of Republican Scott Brown's win in the Massachusetts senatorial election.

The assault on Ben Bernanke is part of a trend undermining the central bank's independence.

There are many roadblocks we must overcome to get our economy running again. Businesses must develop sufficient confidence in the future to begin expanding their order books and payrolls. Banks must be willing and able to lend again. And consumers must regain the wherewithal to open their pocketbooks.

A massive obstacle to unleashing the private sector's "animal spirits" is widespread concern about our nation's fiscal predicament and uncertainty about the extent of government intrusion into the conduct of business. This was a key propellant for Mr. Brown's meteoric rise to the Senate. The behavior of Congress this week, however, has added another obstacle to our economic recovery: The risk that elected officials will now politicize the Federal Reserve and compromise its independence.

The burden of making the tough decisions needed to make our country's economy sound again falls on the sole body responsible for taxing and spending our money: Congress. For too long, Congress, under both Republican and Democratic leadership, has chosen the easy path of kicking the fiscal can down the road. Our elected representatives must now find the resolve to set aside partisan bickering and get us out of this frightful financial predicament.

The impulse to use Mr. Bernanke as a political punching bag raises the specter that, instead of doing the right thing, Congress may seek to pressure the Fed to print its way out of this crisis. We know from history that when fiscal authorities attempt to monetize their debts, the result is inevitably inflation.

Even before the Massachusetts election, there were several bipartisan proposals before Congress that recommended putting the Federal Reserve under congressional authority. These acts sound agreeable at first blush, but, as Winston Churchill once said, "In finance, everything that is agreeable is unsound."

For example, the House of Representatives recently passed legislation that would require audits by the General Accountability Office not simply of the Fed's balance sheet, but also of its monetary policy decisions. Other congressional initiatives put forward would make the presidents of the

Chad Crowe

country's 12 Federal Reserve banks—and even the chairmen of their boards—subject to presidential appointment and Senate confirmation.

The president appoints and the Senate confirms the seven governors of the Federal Reserve System. The 12 Federal Reserve bankers, like me, who sit side by side with those governors in the Federal Open Market Committee (FOMC) are not subject to that process. We are hired and fired by nine-member boards of directors that represent the financial institutions and stakeholders of our respective districts.

We are not accountable to any Washington politicians, Democrat or Republican. We are politically agnostic and are guided solely by what we believe is the best way to encourage sustainable economic growth anchored by price stability.

In my capacity as president of the Dallas Fed, I represent Main Street—not Washington, nor Wall Street. Every time I speak at the Fed's policy-making meetings, I do so with that in mind. My views—including those that on occasion differ substantially from those of Mr. Bernanke and other FOMC members—are detailed in speeches that are available to all on the Dallas Fed's Web site, where they are recorded without fear of political retribution.

Regarding the Fed's overall accountability, ours is the only business in America that I know of that provides a public accounting of its balance sheet every week: It is called the H.4.1 release, and it is available on the Web. I suppose another set of eyes might provide further confidence regarding our holdings. But making the discussions held by me and my colleagues at the FOMC subject to "audit" would only lead to congressional second-guessing, creating a process where the 12 politically independent Federal Reserve bank presidents have to worry about satisfying Washington powers rather than representing Main Street's interests. This would lead us straight to the fate that was suffered by once great economies like pre-Weimar Germany and pre-Perón Argentina.

A great and powerful economy cannot create the conditions for sustainable noninflationary growth if its central bank is governed by a politicized monetary authority.

Students of history are keenly aware of the course we chart when we discuss the possibility of politicizing the Federal Reserve system. They know the pathologies that afflicted Weimar Germany and modern Zimbabwe, and the economic mess that still cripples Argentina. Those who will determine the future scope and shape of our central bank would do well to keep these lessons in mind and to resist the agreeable urge to strike out at the Fed.

* * *

I know there are many senators and congressmen who understand this well and will resist that temptation. But if Congress tampers with the independence of the Federal Reserve, it will move us toward the politicization of the central bank of the world's greatest economy, putting the U.S. on a road that leads directly to economic ruin.

Mr. Fisher is the president of the Federal Reserve Bank of Dallas.

Obama and the Copenhagen Syndrome

[Global View]

By Bret Stephens

Stockholm Syndrome: "A term used to describe the positive bond some kidnap victims develop with their captor."

Copenhagen Syndrome: The peculiar psychology of Barack Obama's first year in office.

Let's expand on that a bit. In September, Mr. Obama paid a semi-impromptu visit to Copenhagen to make a personal appeal for Chicago's 2016 Olympic bid. It failed. The nice way to think about it: The president was trying to win one for Team America. Less nice: It was a feckless and unpresidential errand on behalf of the Chicago political machine to which he remains beholden.

And then there's the possibility that Mr. Obama really believed that he alone could pull the rabbit out of the hat. Not Dick Daley, not the First Lady. This one would require the full Barack abracadabra.

Mr. Obama was back in Copenhagen a couple of months later, this time for the U.N.'s climate summit. It was a chronicle of a fiasco foretold. In the run-up to the conference, dozens of press accounts noted the gaps between the otherworldly idealism of "Hopenhagen" boosters and the calculated realism of China and India. A politically rational president would either have stayed away or made an appearance at the beginning of the conference, so as to be far from the scene of the crime when it ended.

Instead, the president chose to raise expectations by showing up at the end of the conference, as if he were sure that the magic would not fail him twice. It did. "The debacle of Copenhagen is also Barack Obama's debacle," editorialized Der Spiegel, a left-of-center publication. No points in old Europe for the old college try.

In fact, Mr. Obama's first year in office amounts to a long parade of rebuffs. His inaugural address famously offered the world's dictators an outstretched hand in exchange for an unclenched fist. From North Korea, he got missile and nuclear tests. From Iran, he got a contemptuous rejection of his extraordinary offer to enrich uranium for it. From Cuba, Fidel Castro said last month that "the empire's real intentions are obvious, this time beneath the kindly smile and African-American face of Barack Obama." From Venezuela, Hugo Chávez is now comparing Mr. Obama to the devil, a shtick he first tried out on George W. Bush back when liberals thought it was kind of funny.

Believing in the possibility of your own miracles can be dangerous.

Of course these are America's enemies, so we probably should not have expected better even if Mr. Obama seemed to believe we might. What about our (ostensible) non-enemies? The president pre-emptively conceded the Czech and Polish missile-defense bases to Russia in hopes of getting Moscow to take a tougher line on Tehran's nuclear programs. The Kremlin isn't biting. Neither is China, never mind Mr. Obama's gratuitous snub last year of the Dalai Lama.

As for the Muslim world that Mr. Obama has been at such pains to court (the Cairo and Ankara speeches, his opposition to Gitmo and the war in Iraq, etc.), the 2009 Pew Global Survey that measures opinions about the U.S. finds as follows: Turkey, 14% favorable views of the U.S.; Palestinian territories, 15%; Pakistan, 16%; Jordan, 25%; Egypt, 27%. Granted, this is up slightly from the last year of the Bush administration, but only by a couple of percentage points on average. So that's the great Obama perception dividend?

And then there are America's friends. Hondurans will not soon forgive the administration's efforts to shove ex-president Manuel Zelaya down their throats. Among Israelis suspicion of Mr. Obama is pervasive. In France, President Nicolas Sarkozy wonders aloud, *"Est-il faible?"* (Is he weak?)

Now the same question is being asked in the U.S. in the wake of Scott Brown's Senate victory in Massachusetts. The president from Oprah Nation, says Newsweek, suffers from an "inspiration gap"; the prevailing wisdom is that he's too cool and detached for his own political good. Are they kidding? Should the president now take squealing lessons from Howard Dean?

Mr. Obama's real problems are of a different stripe. It's not as if he lacks for charisma. It's that he believes too much in the power of charisma itself and specifically too much in his own.

He seems to have come to office believing that America's problems abroad could mainly be put down to the rough-edged persona of his predecessor. Change the president, change the tone, give magnificent speeches, tinker with the policy, and the world would revert to some default mode of liking America and wanting to work with it. It doesn't work that way. Nor does it work in domestic policy, where personal salesmanship has failed to overcome the defects of legislation. Americans still generally like Mr. Obama, or at least they'd like to like him. It's the $12 trillion deficit and Rube Goldberg health schemes that rub them wrong.

So what's Copenhagen Syndrome? It is a belief in your own miracles. It is thinking that those who crowned you king actually knew what they were doing. It is buying into your own tulip bulb mania. It is the floating evanescent bubble of self. God help you when it bursts.

Write to bstephens@wsj.com

IN DEPTH

Al Qaeda's deep tribal ties make Yemen a terror hub

Group's carefully cultivated ties to the local population could make it that much more difficult to dislodge

An antiterror unit, which has been battling al Qaeda forces, trained earlier this month on the outskirts of San'a, Yemen's capital.

Karim Ben Khelifa/The Wall Street Journal

By Charles Levinson And Margaret Coker
San'a, Yemen

In nearly a decade of rebuilding its terror network here, al Qaeda has put down deep roots, a move that is now complicating U.S.-backed efforts to battle the group.

Unlike other chapters of the global terror network, Yemen's Al Qaeda in the Arabian Peninsula is a largely homegrown movement, with carefully cultivated ties to the local population. That sets it apart from other affiliates of al Qaeda, and could make it much more difficult to dislodge.

The group's strategy: apply lessons learned from mistakes by affiliates in other Mideast havens, particularly Iraq and Saudi Arabia.

In both those places, al Qaeda's footprint weakened significantly as local support for the group turned sharply against it. To avoid a similar fate in Yemen, the group has worked hard to curry favor with local tribes—so much so that it is now largely interwoven in the country's tribal fabric.

"They've worked hard to put deep, and what they hope are lasting, roots that will make it very difficult for them to be rooted out of Yemen," says Gregory Johnsen, a Yemen expert at Princeton University. "They've done a good job of looking at the mistakes that other versions of al Qaeda have made elsewhere."

Since late last year, Yemen has emerged as one of the biggest and most dangerous hubs for al Qaeda operations.

U.S. officials have tied al Qaeda militants based here to two attacks against U.S. targets, including the attempted Christmas Day airline bombing allegedly by Nigerian Umar Farouk Abdulmutallab, who told U.S. officials that he received his training from al Qaeda operatives in the Arab country. The push into Yemen, say U.S. officials, shows the group's increased ability to wage jihad against the U.S. and its allies, a main al Qaeda goal.

In recent months, a top al Qaeda leader publicized moving his foreign family here, while another married into a local tribe. The group is providing social and financial assistance in some of the country's poorest areas, according to tribesmen, local residents and a former al Qaeda member.

Its leaders have also tempered its message of global jihad to fit local grievances—including the lack of economic benefits from Yemen's oil revenues—to recruit new members.

In exchange, some tribal leaders are welcoming al Qaeda members, allowing their sons to sign up, and providing protection from government troops. That has made al Qaeda militants almost indistinguishable from many of the rugged tribesmen and sympathizers they now mix with.

"As long as Qaeda respects the tribes, some tribes will welcome them," says Sheikh Abdulqawi Sherif, the head of the pro-government Bani Dhabian tribe, whose land borders Mareb and Shebwa provinces, two areas where al Qaeda cells are based.

Gen. Yahya Saleh, nephew of Yemen's president and the head of one of the country's counterterrorism forces, acknowledges the alliances some tribes have with al Qaeda.

Still, he says, "the tribes in Yemen are practical. They know there will be a heavy price to pay for harboring al Qaeda, and more and more, [the tribes] will not be willing to pay that price."

Complicating the issue is a power struggle between the government and the patchwork of tribes across the country. Yemen's tribes remain one of the strongest social pillars in the fragile nation.

Government support from the tribes splintered after the December 2007 death of a longtime mediator between San'a and the tribal areas—Abdul
lah al-Ahmar, a senior tribal sheik with decades of experience in Yemeni politics.

Western officials and members of Yemeni tribes credit Mr. Ahmar with brokering grievances between the largely rural tribal leaders and the central government.

Recently, heavy-handed tactics by security forces targeting alleged al Qaeda cells have helped push some tribal sheiks into alliances with al Qaeda, says Mr. Sherif and another tribal politician, Abdulrahman al Jifri, who hails from Shebwa province, an al Qaeda stronghold.

Some tribal leaders, they say, see government attacks against al Qaeda within their territory as attacks on the tribe itself.

Al Qaeda's tactic of courting the tribes already appears to be reaping big benefits, as the U.S. grapples with how best to help Yemen's government fight the group.

Anwar Awlaki, the U.S.-born preacher who U.S. officials say is an al Qaeda operative connected to both the Christmas Day bombing and last year's Army base shooting at Ft. Hood, Texas, is holed up in Yemen's remote southern mountains, in the Shebwa province.

According to Yemeni officials, he is being protected there by his local tribesmen.

The Yemeni government says it's negotiating with tribal leaders from Mr. Awlaki's powerful clan for his surrender, and has promised to send the military in if those talks fail. But so far, there's been little indi-

cation the group will give him up.

In a recent interview with a local paper, Nasser Awlaki, the preacher's father and a prominent politician here, denied his son has anything to do with al Qaeda. But he said tribal fighters protecting his son may include the terrorist group's members. The father declined several requests by The Wall Street Journal for an interview.

"He now probably has some al Qaeda members protecting him because they are from the same tribe," he told the Yemen Post.

Like Afghanistan and Pakistan, al Qaeda in the Arabian Peninsula, as the Yemen-based affiliate is known, boasts a large local membership base.

Yemen's national security agency director, Gen. Mohammed al Anisi, says that the leaders and foot soldiers are approximately 90% Yemeni, with only 10% foreign fighters rounding out the ranks.

The numerical strength of Yemen's dedicated al Qaeda fighters is only approximately 100, Gen. Anisi says. But those who sympathize with them are much more numerous. That includes thousands of young men living in the tribal regions without education or jobs.

Al Qaeda's links with Yemen have always been strong. Osama bin Laden's father was born here. Mr. bin Laden recruited heavily in both Saudi Arabia and Yemen in the 1980s during his campaign against the Soviet occupation of Afghanistan.

Hundreds of Yemenis returned after that campaign to a hero's welcome. A decade ago, Yemeni-based al Qaeda leaders orchestrated the November 2000 bombing of the USS Cole in Aden.

But at that time, the local Yemeni leadership lacked depth and was poorly organized around just two powerful chieftains. In 2002, the U.S. killed al Qaeda's top man here, Abu Ali al-Harithi, in a drone attack.

A year later, the Yemeni government arrested his deputy. Yemen's branch fell into decline, just as other affiliates across the Middle East started to flourish.

By 2004, hundreds of al Qaeda sympathizers had flocked to the Sunni tribal areas in Iraq to join forces with a loose network of Sunni insurgents and jihadis fighting U.S. troops and the Shiite-dominated government.

The Iraq-based branch and its leaders were mostly foreigners, who put a priority on spectacularly bloody operations.

The group tortured and executed local men who refused to fight with them. They assassinated top tribal leaders working with the U.S.-backed government. Iraq's Sunni tribes eventually rebelled, driving al Qaeda leadership out of many of its safe havens.

Meanwhile, in Saudi Arabia in 2003 and 2004, al Qaeda orchestrated two separate large-scale bombings aimed at civilian residential compounds. The attacks left dozens of Arabs and fellow Muslims dead, triggering a public backlash against the group, which earlier had gained some support for its operations targeting Westerners in foreign lands.

Saudi security forces took advantage of the mood swing and hunted down dozens of militant cells. In Yemen, meanwhile, al Qaeda has so far limited its strikes to targeted attacks on Yemeni security officials and Western targets.

"Unlike everywhere else al Qaeda has been active, here there is no al Qaeda violence against the society itself," says Mohammed Ghazwan, a former state security officer in the eastern province of Hadramut, where al Qaeda is believed to be active.

Many of the fighters who lost their safe havens in Iraq and Saudi fled to Yemen, according to U.S. and Arab intelligence officials. The migration coincided with a local prison break in 2006. In February of that year, 23 prisoners, including at least 12 senior al Qaeda leaders, broke out of a San'a prison.

The escapees dispersed themselves throughout the tribal areas of southern and eastern Yemen. Nasser al-Wuhayshi and Qassim al-Reimi, both Yemenis, took on the Yemen-based group's leadership. In 2007, they were joined by Said al-Shihri, a Saudi who had been released from the U.S. detention center in Guantanamo Bay in December 2007.

Karim Ben Khelifa/The Wall Street Journal (2)

Men await work in San'a, top. High unemployment could drive more people to join with religious extremists. Above, Gen. Yahya Saleh, nephew of Yemen's president, leads an antiterror unit.

In January 2009, Yemen's reconstituted organization merged with the remnants of al Qaeda's Saudi organization to form al Qaeda in the Arabian Peninsula.

A few months later, U.S. and Arab security officials started seeing a new migration of al Qaeda operatives, this time traveling to Yemen from Pakistan and Afghanistan, where U.S.-backed military operations were squeezing the group's movements.

The influx wasn't enough to dilute the Yemeni flavor of the group. Global and local al Qaeda leaders continued to appeal to Yemen's tribal sensibilities to provide safe haven for the militants.

In an audio tape released on Feb. 22, 2009, Ayman Al Zawahiri, Mr. bin Laden's No. 2, asked the Yemeni tribes to harbor al Qaeda operatives, just as tribes in Pakistan and Afghanistan had done: "I call on the noble and defiant tribes of the Yemen and tell them: 'Don't be less than your brothers in the defiant Pashtun and Baluch tribes,' " Mr. Zawahiri said in the recording, according to a translation provided by the NEFA Foundation, a think tank that focuses on terrorist organizations.

In August 2009, al Qaeda's online newsletter in Yemen, Sada al-Malahim, ran a congratulatory notice marking the marriage of one of al Qaeda's leaders, Mohammed al-Umda, to a local tribeswoman. Mr. Umda is Yemeni, but not from the tribal areas where al Qaeda now operates.

Another recent issue announced that one of the group's top three leaders, Mr. Shihri, the former Guantanamo Bay inmate, had recently relocated his family to Yemen from Saudi Arabia.

The group has also focused as much on local complaints as they have railed against perceived Western and foreign threats to Yemen. In the same August edition of its publication, the Yemen group ran an article on the unjust way the government distributes oil revenues pumped from wells located in the southern tribal lands of Mareb and Shebwa, two places known as al Qaeda strongholds.

The article urged tribes to take control of the wealth coming from their own land. "The inhabitants of [the southern areas] are paying for their own oppression," the article said.

Al Qaeda in the Arabian Peninsula has also started providing some basic services to locals in the country's rugged hinterlands, long neglected by the government, according to residents of the areas.

It's unclear how organized and widespread the social-welfare efforts are. But similar efforts have been important to the success of other Islamic militant groups, such as the Muslim Brotherhood in Egypt, Hezbollah in Lebanon, and Hamas in the Palestinian territories.

Nasser al-Bahry, a former bodyguard of Mr. bin Laden and a native of Shebwa, says al Qaeda has dug wells for the community, paid for medical treatments for locals, and is even paying monthly allowances to poor widows in the community.

News Yemen, an independent Yemeni news Web site , reported in November that Shebwa tribesman, frustrated by the central government's inability to provide teachers for their schools, turned to al Qaeda.

It wasn't possible to verify the report, but it underscores a growing perception among Yemenis that al Qaeda is stepping in where the cash-strapped central government has been absent.

"Here in Yemen, al Qaeda is made up of the sons of the tribes," says Mr. Bahry, who gave up his own militancy in 2000. "So, [al Qaeda members] take care of the tribes."

Its leaders have tempered its message of global jihad to fit local grievances—including the lack of economic benefits from Yemen's oil revenues—to recruit new members. In exchange, some tribal leaders are welcoming al Qaeda members, allowing their sons to sign up, and providing protection from government troops. That has made al Qaeda militants almost indistinguishable from many of the rugged tribesmen and sympathizers they now mix with.

Sports Promotion

The Business of Football

What business can learn from football

On the field or in the boardroom, the vision for winning is the same

Attracting talent and building team spirit are key to sporting and business success

By Catherine Bolgar

Christopher Serra

Chelsea pays €21 million ($31 million) for midfielder Yuri Zhirkov from CSKA Moscow. Manchester City shells out €29 million to get forward Emmanuel Adebaor from Arsenal. Aston Villa pays €14 million to lure midfielder Stewart Downing from Middlesbrough.

You could buy a company for that kind of money.

Actually, acquisitions in football aren't so different from acquisitions in business. You want to make a move to realize your strategic vision. You are looking for an addition that will complement your portfolio. You are willing to pay the price for the right target. Acquiring talent can mean exactly what it does in football — getting that special person on your team. But it also can be taken in a larger sense, where the talent is in the form of a company or another investment.

"Business professionals can learn from sport at the highest level," says Hans Westerbeek, professor of sports management at La Trobe University in Melbourne and co-author of "Business Leadership and Lessons from Sport." He adds that "there's the focus, the determination, the overriding desire to obtain the 0.001% advantage over your competitor, because the competition is so fierce."

So what are the rules of the talent-search game?

1. Focus

"First is the focus, the sheer desire to win, and everything else comes second in support of that," says Dr. Westerbeek. "Wanting to win in a business sense is to be the market leader, to create the highest returns on investment and highest profit margins." The coach and executive must consider how any acquisition will aid the No. 1 goal of winning.

Everybody wants to win — and nobody likes, or intends, to lose. What separates the winners from everybody else is a strategic vision, a roadmap of how to succeed. The ability to come up with such a vision is also what separates leaders from managers. Managers may be very competent and get things done efficiently. But leaders can bring their teams/corporations to ever-greater achievements.

Leaders have a vision for the game or business that is so innovative or creative that no one else can touch it or believe that such level of performance is possible, says Dr. Westerbeek. "That's because the others don't understand what is required in terms of system change to achieve such goals. A leader, a great coach, can change a team from mediocre to one that plays in a style and at a level nobody thought possible."

2. Resources

Namely money. When Real Madrid paid €45 million to bring David Beckham from Manchester United in 2003, the figure was scandalously huge. At the end of his four-year contract, Real Madrid estimated Beckham-related merchandising profits at €560 million during the same period. The team has used the megamoney strategy to snap up other high-profile players — dubbed "galacticos" — including, last June, Kaka, for €65 million, and Cristiano Ronaldo, for a record €96 million.

"To get the best, you need that kind of money floating around," Dr. Westerbeek says. To win big in gambling, you need either long odds or big bets. Real Madrid bet big, and so far the returns have been pouring in.

But money isn't enough. Superstars don't go to losing teams. For them to attain new heights of success, they need to join the right environment, with the right supporting cast, the right coaches to bring out excellence. "The analogy is true in business," Dr. Westerbeek says. "If you're the best in your business, you're very unlikely to move just for the money." While that rule might not apply to a corporate acquisition, in which shareholder value is the ultimate deciding factor, it is certainly valid for the top echelons of business talent — the company seeking a new chief executive, for example.

3. Team spirit

In the business world, it's called a corporate culture. Team spirit is an extension of the strategic vision — when all the members understand and are committed to that vision.

The legendary manager Sir Alex Ferguson is renowned for his team-building skills, says Rory Miller, program director for the MBA in football industries at the University of Liverpool Management School in the U.K. Sir Alex has made Manchester United one of the top teams in the English Premier League since its founding in 1992, with 11 championships. A man who cultivated players into some of the sport's biggest names, he also manages to direct some understandably big egos.

"Individual performance isn't what you're paying for. You want individuals to enhance the team performance."

"The best teams stand out because they are teams, because the individual members have been so truly integrated that the team functions with a single spirit," writes Sir Alex in his autobiography, "Managing My Life." "There is a constant flow of mutual support among the players, enabling them to feed off strengths and compensate for weaknesses."

Newcomers must be prepared to adapt to the existing culture, says Dr. Miller. "There are plenty of examples of high-value international transfers that have failed."

In the business world, the lesson is not just for the chief executive officer brought in from outside, but for any corporate acquisition. A company may have an ingrained culture, but if it's bought by a bigger firm or even a near-equal rival, its members will suffer if they don't learn to adapt to the new reality.

4. Don't get starstruck

A dream team isn't necessarily a winning team. Between 2004 and 2006, Real Madrid went through a three-year dry spell despite big spending on galacticos, notes Chris Brady, dean of BPP Business School in London and author of "The 90-Minute Manager: Lessons From the Sharp End of Management." The stars brought in plenty of merchandising revenue, but no silverware, he says. "From the money side, it was good, but from the football side it wasn't."

Eventually, a new manager, Fabio Capello, replaced some of the stars with team-oriented players. "Once they started winning, they had both revenue streams — the merchandising as well as the ticket sales," Dr. Brady says. "Individual

performance isn't what you're paying for. You want individuals to enhance the team performance."

Likewise, a business risks overpaying for a high-profile acquisition that ends up not contributing to the bottom line. For talent-driven industries, such as investment banking, the analogy is even sharper. Dr. Brady has seen companies hire top salesmen, only to see the individual's results soar while overall sales slump. One role of the star, he notes, should be to mentor the younger players.

5. Talent assessment

The flip side of spending on stars is to discover them before they shine. That can mean scouting, especially in not-so-obvious places. "The catchment area, where you have to look for talent, is much wider than it used to be," says Andy Adcroft, senior lecturer in corporate strategy at the University of Surrey School of Management in Guildford, U.K. "The benefit is teams have much wider access to resources. Scouts used to drive around to watch local teams. Now they fly around the world."

Teams also nurture new talent from the very beginning, with academies and youth leagues. Finding talent can mean finding the right person who is in the wrong environment, says Dr. Brady of BPP. "You need managers who can spot talented individuals who may not be doing that well in the organization they are in, but you know that in our culture they'll blossom. You get high value at a lower price."

The business equivalent of good scouting would be looking for investment opportunities everywhere, including new industries and emerging countries that may not have previously been on the radar screen. For nurturing, it can mean working with innovation clusters around universities to help start-ups that can eventually provide a crop of acquisition targets. And for finding the diamond in the rough, managers can look at business lines that other companies want to dispose of, which their business could turn profitable.

6. Long horizon

Over the history of the Barclays Premier League, two teams have been able to sustain success: Manchester United and Arsenal. They also have the longest-serving managers, Sir Alex Ferguson and Arsene Wenger, respectively, who have been given the time and space to build their clubs over the long term, says Dr. Adcroft of the University of Surrey. Both took over when their teams were somewhat troubled and have evolved from their early firefighter roles into the very souls of their teams.

GETTY IMAGES/Louis Fox

"If you look at clubs that have spent a lot on player acquisitions and have not been successful, like Newcastle, there's lots of turnover in management," he says. "Without that manager, in essence a CEO, you have players bought and sold at an alarming rate. It's hard to sustain any kind of success on the pitch with that."

Even Sir Alex and Mr. Wenger have had difficult moments when their futures have been called into doubt. What sets them apart, Dr. Adcroft says, is the long view. They have a solid structure in place and are able to take advantage of it. They can envision from events that are just happening what the results will be, and they can turn things to their favor.

Companies face short-term shareholder demands for quarterly results; teams face fans' demands for victories at each game. The urge is to make fast decisions, adapt quickly. But there's a difference between being nimble and being haphazard. The business lesson, he says, is that any company that is changing its business, its vision or its strategy is going to find itself unmoored. The winners, he says, always have a plan.

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FROM PAGE ONE

S&P lowers Japan outlook to 'negative'

Continued from first page
ernment. They may or may not pay attention; what is clear is that they can't spend money at will," said John Vail, chief global strategist at Nikko Asset Management in Tokyo, a leading investor in Japanese assets from bonds to equities.

The news Tuesday hit the yen and Japanese government-bond prices, and prompted concern about investor appetite for new Japanese debt issuances planned in the coming weeks.

The yen dropped from a one-month high on the S&P announcement, with the dollar rising to 90.40 yen from 89.60 yen, although the Japanese currency later recouped most of its decline. Ten-year Japanese government-bond futures fell 0.10 in after-hours trading to 139.28, following a rise of 0.30 during the regular trading day.

Japanese officials declined to comment directly on S&P's critique, but stressed moves were under way to improve their books. "We do not know how S&P calculated their outlook for government debt to GDP," Shigenori Sakamoto, a senior official in the Ministry of Finance budget bureau, said in an interview. He said the government is crafting a long-term fiscal policy blueprint to be in place by June, which will include targets for stabilizing the ratio of debt to GDP. "We are in the planning stage now and we will take action in the near future," he added.

For all the dire rhetoric about Japanese government debt—which totals 680 trillion yen ($6.136 trillion) as of March 2009—Tokyo remains a long way from default, and S&P acknowledged that the country's finances retain considerable strengths.

The ratings firm noted Japan's status as the world's biggest net creditor, massive foreign reserves and the yen as a reserve currency. Japan got a vote of confidence Tuesday, when an analyst at Moody's Investors Service said the Aa2 rating on the Japanese economy and its stable outlook remain intact.

But the S&P statement highlighted the dilemma that hangs over Japan's economy in the longer term. After two decades of tepid growth, Japan finds itself in danger of falling back into another recession and a new deflationary spiral. Policy makers are running out of options to address those problems, and the fiscal picture may be at the point of forcing painful tradeoffs.

The Bank of Japan's short-term interest rates are already rock bottom, at 0.1%, and the central bank ended a regular two-day policy session Tuesday without offering any fresh stimulus for the economy.

Mr. Hatoyama's government is nearing parliamentary passage this week of a new 7.2 trillion yen stimulus bill, but is also being forced—with pressure such as the S&P statement—to begin seeking ways to cut spending, moves that could damp growth in the near term.

Many analysts expect his government to begin considering a rise in the national consumption tax—a debt-reduction strategy the Japanese government adopted in the mid-1990s, which had the impact of snuffing out a nascent recovery that followed the collapse of the stock-market and real-estate bubbles.

Finance Minister Naoto Kan, speaking to reporters after the S&P statement, acknowledged the dilemma. "I am aware that it is extremely important to maintain fiscal discipline and move ahead with fiscal reforms to retain the trust of international markets," he said. But he then added: "I think that we must try to walk a narrow path to achieve both fiscal reform and economic [growth-boosting] measures."

The new worries about Japanese borrowing come amid a wave of concern—from investors and voters—world-wide about unsustainable government borrowing. In the U.S., President Barack Obama will use his annual State of the Union address Wednesday night to propose a three-year freeze on spending in most domestic programs, in an attempt to signal to voters queasy about the rapid growth of government that he intends to try to get America's $1.4 trillion deficit under control.

In May, S&P issued a warning to Britain similar to the one given Tuesday to Japan, threatening to strip London's triple-A rating. Spain was given a downgrade warning last month. Greece has seen repeated recent sovereign-debt downgrades. Investors have been hedging more aggressively against the concern of defaults by Portugal and Ireland.

But Japan's debt concerns have the potential to create much bigger problems, because Japan's economy is the second-largest in the world, and its debt is so much bigger than any other nation's.

A brief period of hope that surrounded Mr. Hatoyama's election in August seems to be fading. The DPJ's election ended more than half a century of nearly unbroken rule by the Liberal Democratic Party, and some analysts thought that Mr. Hatoyama's government would be able to break the policy paralysis that made it difficult for the LDP to end the country's long period of stagnation.

Lately, credit analysts and economists said that the DPJ's performance so far has been listless and that they are disappointed more-aggressive measures haven't been taken to reduce Japan's mountain of debt. Many of the measures taken so far have been grand-standing, the analysts said, such as vowing that Diet members won't travel first class on the taxpayers' dollar.

They also are disappointed that veteran budget controller, Finance Minister Hirohisa Fujii, stepped down for health reasons this month. His successor, Mr. Kan, said in his first news conference that he would be open to spending more in the future if the economy weakens.

"Japan's fiscal position is becoming progressively worse. Expenditure is rising while no bold policy moves appear forthcoming," Agost Benard, an S&P credit analyst, said in an interview. "Right now, the measures that could make a difference would be politically difficult."

Not everyone is worried. Despite an increasing debt burden and long-standing predictions that demand for government bonds would flag, the market has held up so far. The biggest buyers remain domestic investors who hold almost all of the nation's debt, such as Japanese banks, pension funds and insurance companies.

That has kept yields, which move in the opposite direction of prices, low. The yield on Japan's 10-year government bond hasn't gone above 2% in more than a decade. The presence of domestic, rather than foreign, investors also reduces the possibility of a mass exit from the market.

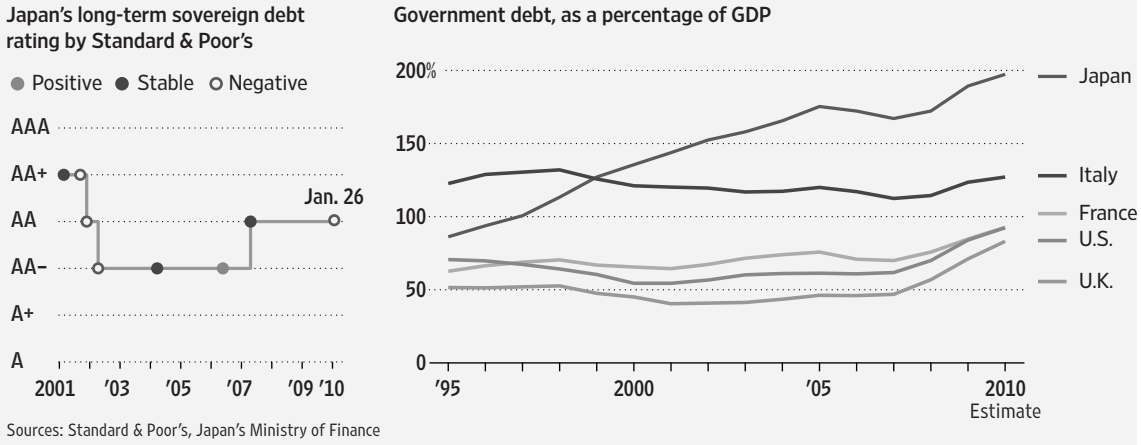
Moreover, Japan has been plagued by bouts of deflation-falling consumer prices since the late 1990s. In November, consumer prices fell for the ninth month in a row. If that persists, bonds may continue to have allure, because even slender yields can look good amid deflation.

Reuters

Japan's Prime Minister Yukio Hatoyama raises his hand to answer a lawmaker's question during budget talks Thursday.

Lower outlook

Standard & Poor's cut its outlook on Japan's sovereign debt rating to negative from stable.



Sources: Standard & Poor's, Japan's Ministry of Finance

China moves to rein in new loans amid 2010 credit boom

Continued from first page
ilar steps taken last week by state-run **Bank of China** Ltd.

Concerns that China may be moving more aggressively to rein in bank credit rippled through Asian markets Tuesday. The Shanghai composite index fell 2.42% to its lowest level in almost three months, with declines in many property shares.

Hong Kong's blue-chip Hang Seng Index fell 2.4% to its lowest closing level since Sept. 3.

The curbs on lending come after China last week announced higher-than-expected economic growth for 2009—8.7%, comfortably above its 8% target. Now, the government appears to be winding down the bank-led stimulus program that helped it weather the global economic slowdown.

It remains unclear how severely China will continue to curb credit flows. Last week, China Banking Regulatory Commission Chairman Liu Mingkang said the regulator expects new yuan lending to be around 7.5 trillion yuan ($1.095 trillion) this year. That's down from a record 9.6 trillion yuan in new loans in 2009 but still more than double the 2008 level.

Chinese banks, which traditionally rush out loans at the start of the year, have already issued more than 1 trillion yuan in new loans in the first two weeks of the year, more than double the monthly average of 400 billion yuan in the second half of last year, according to Chinese media reports, which couldn't be independently verified.

"In responding to such a credit surge, the People's Bank of China has launched more aggressive quantitative tightening than we previously have thought," said Credit Suisse economist Dong Tao. He added that six Chinese banks he contacted had confirmed they had suspended "new lending" across the country starting Jan. 19. He didn't name the banks.

Some economists said the government was attempting to smooth the flow of credit throughout the year.

"If banks are allowed to lend seven to eight trillion yuan in new loans for the full year, you can't come to a point [toward year end] where you ask banks to stop lending entirely," said Standard Chartered economist Stephen Green. "This is just policing of the quota."

Beijing is unlikely to drastically slow lending since many projects that were started as part of the government's stimulus measures still need at least another year of credit to bring them to completion.

On Tuesday, the People's Bank of China signaled its intention to keep monetary policy fairly accommodative by keeping the yield on its benchmark one-year bills unchanged after having raised it twice in the previous two weeks.

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Asian market declines deepen

Some fear prolonged stock slump amid reports of China loan curbs; regional growth story 'seems to be mutating'

By Alex Frangos

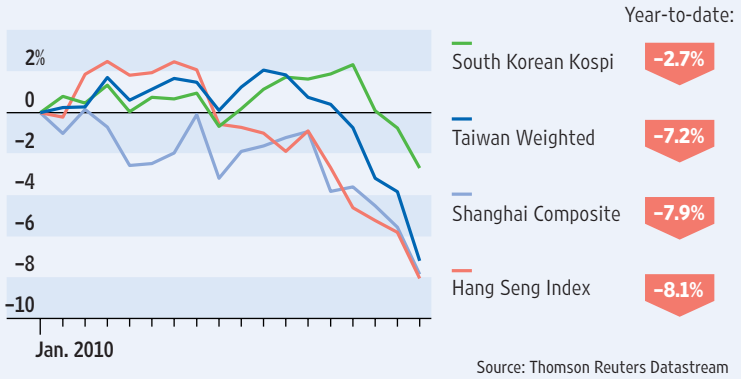
HONG KONG—Asian stock markets extended their 2010 slide Tuesday, raising concerns that a prolonged pullback could be under way despite the region's economic strength.

Reports that Chinese banks will curtail lending, along with disappointing growth data from South Korea, sent markets throughout Asia into negative territory.

ASIAN-PACIFIC STOCKS

Hong Kong's benchmark Hang Seng Index fell 2.4% to 20109.33, reaching its lowest level since Sept. 3, while China's Shanghai Composite also dropped 2.4%, to 3019.39. South Korea's Kospi slid 2% to 1637.34 after the government there reported that gross domestic product grew a less-than-expected 0.2% in the fourth quarter. In Tokyo, the Nikkei Stock Average of 225 companies fell 1.8% to 10325.28.

Rough year | Selected Asian stock markets



Source: Thomson Reuters Datastream

"Asia was perceived to be the place with growth in a growthless world, and a lot of money came in last year," said Mark Matthews, a strategist with Macquarie Group in Hong Kong. "That story seems to be mutating, and the new story we don't entirely know yet."

Tuesday's swoon means markets have kicked off 2010 in a decidedly dour way. After record recoveries last year, the Hang Seng is down 8.1% year to date, the Shanghai Composite is down 7.9%, and Singapore's benchmark Straits Times Index is down 5.4%.

Asian markets often follow the ups and downs of the U.S. But despite slight gains Monday in New York, Asia was uniformly lower. Driving the market selloff was news that China was tightening its money supply to stave off inflation, along with various reports that the country's largest banks have stopped making new loans following a record expansion of credit.

The recent declines have left investors wondering whether this is a natural relaxation of markets after China kicked off its monetary-tightening cycle, or whether a more serious correction is in store.

"The turn is real and it has legs," says Denis Gould, director of investment for AXA Investment Managers, based in Hong Kong.

Mr. Gould is concerned that markets seem to be reacting to government tightening moves despite generally positive economic numbers. "If you have weak economic data, it's clearly bad. If you have strong economic data it's still bad," he says, because it means more tightening is in store. Fiscal problems in the West will keep consumer demand weak, he says, weighing on Asia's exporters.

Asia's weakness extended into currency markets, where traders fled for the safety of the U.S. dollar. The Australian dollar was down 1% in morning U.S. trading Tuesday

Please turn to page 26

No apparent bidders yet for Hynix stake

By Jung-Ah Lee

SEOUL—Creditors of **Hynix Semiconductor** Inc. haven't yet found bidders interested in buying their stake in the South Korean chip maker ahead of a Friday deadline, and they may consider a block sale if bidding fails for the second time.

A person familiar with the situation said the sale process hasn't been going well, with no particular company showing an appetite for the Hynix stake. "I can't say there is a positive outlook on the stake sale," the person said.

In November, midsize South Korean conglomerate **Hyosung** Corp., which was the sole bidder for creditors' 28% stake, withdrew its bid on concerns about funding. In December, creditors, now shareholders after several debt-for-equity swaps, invited domestic companies to bid again. The creditors said they would receive any preliminary bids for the whole stake or part of it by Friday.

A 28% stake, equivalent to 165.48 million shares in Hynix, is valued at about 3.905 trillion won (US$3.4 billion) based on Hynix's Tuesday closing price. **Korea Exchange Bank** is the lead creditor bank handling the sale, while **Credit Suisse**, **Woori Investment & Securities** and **Korea Development Bank** are joint lead managers. Shares of Hynix, the world's second-largest computer memory chip maker by revenue after Samsung Electronics Co., were down sharply Tuesday on growing concerns that no bidder would emerge by the deadline.

"There's market speculation that Hynix's creditors may sell some of their stake to the market if no bidder submits bids by the deadline, spurring share overhang worries," said Lee Kyung-soo, an analyst at Taurus Investment & Securities.

Analysts said cash-rich companies such as **LG Group**, which has electronics affiliates that use memory chips in their products, and shipbuilder **Hyundai Heavy Industries** Co. are the two strongest domestic possibilities to bid for the stake. LG merged its chip-making business, LG Semiconductor, with Hyundai Electronics to create Hynix in 1999.

Spokesmen for both LG and Hyundai Heavy said Tuesday that their companies aren't interested in buying the Hynix stake. "LG Group and Hyundai Heavy Industries seem to be the strongest candidates [to take over the stake], but Hyundai isn't likely to make a move, as the shipbuilding industry isn't in good shape," said Suh Do-won, an analyst at Hanwha Securities.

Hynix shares fell 9.4% Tuesday to 23,600 won, while the broader market fell 2% to a seven-week low.

With uncertainties looming over the sale, creditors this month scaled back their plans and said they may sell a minimum 15% stake in the chip maker to domestic investors only.

Hynix spokesman Park Hyun said Tuesday the chip maker isn't aware who might bid for the stake.

—Soo-Kyung Seo contributed to this article.

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Achieving more together

East-West trade rebalancing act is essential for a global recovery

[Agenda]

From the pages of The Wall Street Journal Europe, today's "Agenda" column comes from Michael Geoghegan, Group CEO of HSBC Holdings PLC, who next week will be based in Hong Kong.

By Michael Geoghegan

European Pressphoto Agency

A worker in a Sunmono Group scooter factory in Wuhan, China, last month.

It's hard to believe the term BRIC (standing for Brazil, India, Russia and China)—now a shorthand at the heart of every business-development strategy—is less than 10 years old. But it is a sign of the speed with which the global economy is changing that it is already out of date.

I'm sure the experts are working to coin the new watchword for the 2010s. My own favorite is the BRITVICs: adding Taiwan, Vietnam and Indonesia to the equation. Take the last of these: At 112 million, Indonesia's work force is now the fifth largest in the world, and another 22 million will be added during this decade, equivalent to the entire population of Australia.

The prospects for the CIVETS also look strong—Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa—so-called after the cats found in many of these countries. They may lack the scale of the BRICs, but all have proved robust during the crisis, and they will help to accelerate the global shift from West to East.

This is why, as the world's leading emerging-markets bank, HSBC has made the decision to move the Group CEO's principal office to Asia. As we seek to build our presence at the heart of the action, we need more than one base, and from next week, I will run our global business from Hong Kong. The view from there is exhilarating and the opportunities are huge. China's GDP per capita is rising fast but is still only an eighth of that in the U.S. Meanwhile, the Asia-Pacific region will soon be home to the largest number of high-net-worth individuals in the world.

China has accounted for more than half of global economic growth over the past three years.

China's change has been the most remarkable. According to the IMF, China accounted for more than half of global economic growth over the past three years of crisis. But this isn't some recession-driven blip. The path toward reform is irreversible: 79% of Chinese people now agree that they are better off in a free-market economy, more than in either the U.S. or the U.K.

Crucially, so-called "south-south" trade flows are also growing fast. Across Asia, car sales are now buoyant from India to Vietnam, and manufacturing output is rising to meet growing demand. In services, where recovery is less firmly rooted, expectations have also improved to their highest levels for a year and a half. The establishment of a new free-trade agreement between the Association of Southeast Asian Nations and China makes sense: Southeast Asia now does more business with China than with the U.S.

As emerging nations begin to develop deeper and more sophisticated financial and capital markets to support economic development, the opportunities for leading financial centers such as London and New York are growing too. Through the sharing of expertise, and the building of new strategic relationships, both West and East can benefit.

After the collapse of Lehman Brothers, business confidence fell off a cliff. The latest HSBC Emerging Markets Index shows that it has now returned to pre-Lehman levels in emerging markets. But global recovery is not yet a given.

In many developing economies, recovery outside the manufacturing sector is less firmly rooted. Furthermore, unlike past economic cycles, the upturn in emerging markets hasn't been matched elsewhere. Sluggish growth forecasts for many developed economies tell us how uneven recovery will be.

One of the greatest successes of our response to this recession was that countries didn't close up their borders and pull up the drawbridge. At this critical stage in the recovery, it is now more important than ever that we support and stimulate trade. We must resist public and political pressure for trade barriers: Nothing would threaten the rhythm of recovery.

Whatever form it takes, protectionism never helps in the long term. It only ever prolongs the painful death of industries no longer efficient enough to compete on a global stage. Most important of all, it could cause lasting damage to those important East-West relationships on which our collective future now depends. We must keep our borders open and we must take the long-term view.

Less than a decade after the term BRIC was coined, emerging markets are setting the economic agenda. Caught up in the unsustainable bubbles of the "noughties," it was all too easy to miss the signals. Yet as we take our first steps into the new normal, we know the world has changed. For all of us, our prospects for long-term success are now more closely bound with the fortunes of the emerging world. And in the short term, global recovery depends upon the free flow of trade between West and East.

LG's 2009 net increased more than fourfold

By Jung-Ah Lee

SEOUL—**LG Electronics** Inc. said its full-year net profit rose more than fourfold from a year earlier, largely due to foreign-exchange gains and the improving performance of its flat-panel affiliate LG Display Co.

Net profit for the 12 months ended Dec. 31 surged to 2.053 trillion won ($1.79 billion) from 482.8 billion won a year earlier, the company said in a statement to the stock exchange.

Full-year sales rose 10% to 30.513 trillion won from 27.639 trillion won in 2008, while operating profit rose 32% to 1.615 trillion won.

The figures are based on parent-company results and don't include the company's overseas operations.

LG didn't break down its fourth-quarter results, which are scheduled to be released on Wednesday.

LG Electronics is the world's third-largest handset maker by shipments after **Nokia** Corp. and **Samsung Electronics** Co. It also makes consumer electronics and home appliances.

LG plans to increase its smart-phone offerings later this year, which should narrow its gap with rivals.

Analysts expect its profitability to continue to improve this year as its TV business gets a boost from rising demand.

Meanwhile, LG's handset business—the company's main profit generator—will probably continue to narrow its gap with rivals in the fast-growing smart-phone market, analysts said.

"It's true that LG was a weaker player in the smart-phone segment last year," said Kim Do-han, an analyst at Samsung Securities. "But from the second quarter of this year, the company will expand its launch to include more smart-phone lineups, which will make the company competitive."

LG said this month that it aims to sell 140 million mobile phones globally in 2010, up 20% from last year. It also said it plans to launch a lineup of 20 smart phones this year, most of them based on **Google** Inc.'s Android operating system.

U.S. Steel swings to loss as sales slide by 25%

By Nathan Becker

United States Steel Corp. swung to a fourth-quarter loss as sales slumped 25%.

Chairman and Chief Executive John Surma added that the company expects to report an operating loss in the current quarter "in line" with the fourth quarter "as gradually improving business conditions are not yet fully reflected in our operating results." He said order rates are at their highest levels in a year for its automotive, service-center, converter and appliance customers.

Steelmakers have struggled with slack demand amid the recession, but the demand situation may be improving.

For the quarter, U.S. Steel posted a loss of $267 million, or $1.86 a share, from a year-earlier profit of $290 million, or $2.50 a share. The most-recent quarter included a pre-tax charge that reduced earnings by 21 cents a share. Revenue dropped 25% to $3.35 billion.

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Corrections & Amplifications

Baidu Inc. had a market capitalization of more than $15 billion as of late last week. A Business & Finance article in the Jan. 22-24 edition incorrectly said the market value was $11.3 billion.

Tycoon powers battery firm's shares

Jia Sheng's plans to capitalize on demand for electric vehicles; Li's investment helps stock rise 62%

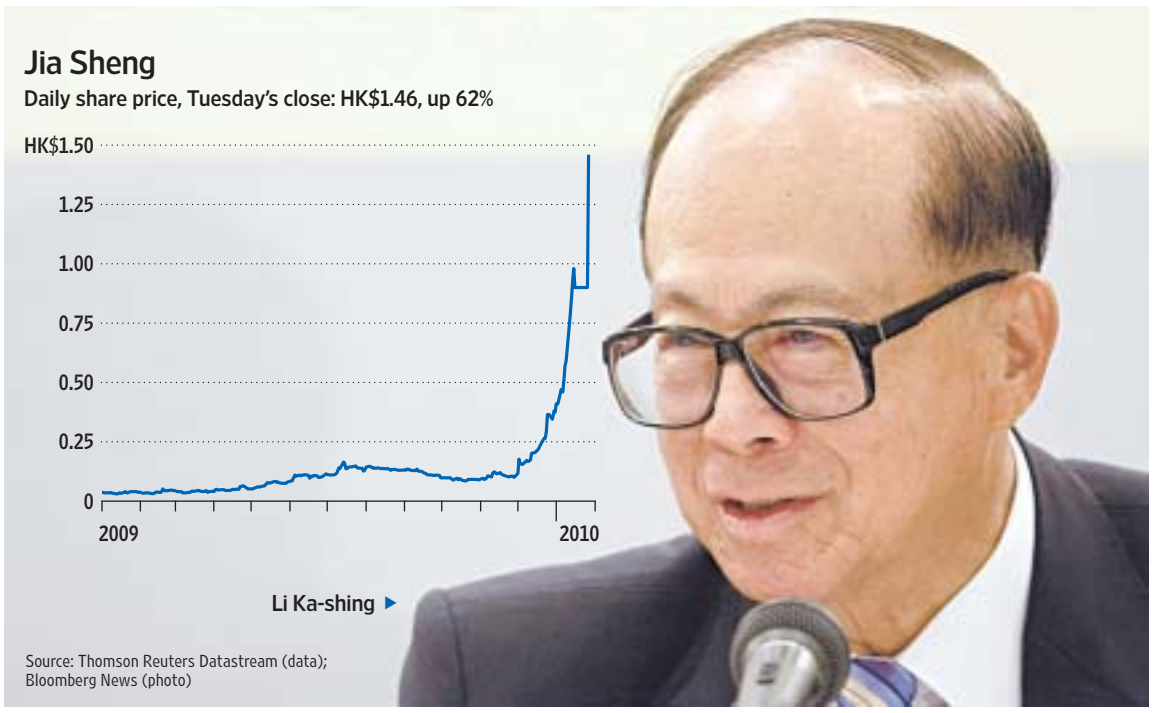
By Jeffrey Ng

HONG KONG—Investors excited by the story of BYD Co.—the Chinese battery maker propelled into the spotlight by investor Warren Buffett—are focusing on a newcomer with its own wealthy backer in the hopes a sequel.

Shares of **Jia Sheng Holdings** Ltd. jumped 62% after the brokerage and investment firm unveiled plans to introduce businessman Li Ka-shing as a major shareholder and to transform itself into a maker of electric-vehicle batteries. Jia Sheng said in a statement Tuesday it agreed to sell 400 million shares at 73 Hong Kong cents each to Mr. Li's **Jade Time Investments** Ltd., for a total 292 million Hong Kong dollars (US$37.6 million).

Analysts said investors are drawing parallels between Mr. Li's investment in the little-known firm and Mr. Buffett's September 2008 investment in BYD due to Mr. Li's reputation as one of Hong Kong's more canny investors. BYD's shares have jumped fivefold since Mr. Buffett's stake purchase was first announced.

"Li's involvement is the only reason the company's shares are up so much today," said Castor Pang, research director at Cinda International. "BYD surged because of Buffett's investment, and so the same concept is playing out here."



However, whether the gains are sustainable will depend on the company's fundamentals, he added. "We will have to see what kind of contracts it can attain and how its revenues will shape up."

Jia Sheng's planned move into car batteries comes amid widespread interest in electric vehicles because of surging oil prices and the likelihood of international efforts to reduce emissions from fossil fuels. In October, bio-organic-fertilizers producer Far East Golden Resources Group Ltd. said it would start making hybrid cars in response to strong forecast demand.

Jia Sheng, which resumed trading Tuesday after being suspended since Jan. 18, ended at 1.46 Hong Kong dollars (19 U.S. cents) after rising as much as 74% earlier in the day from 90 Hong Kong cents.

Hong Kong's benchmark Hang Seng Index fell 2.4% to 20,109.33, its lowest level in more than four months.

Winnie Cheong, spokeswoman at Mr. Li's property-development flagship Cheung Kong (Holdings) Ltd., confirmed Jia Sheng's statement but declined to comment further. Mr. Li is Hong Kong's richest man and controls a number of the city's biggest companies, including conglomerate Hutchison Whampoa Ltd. and utility Hongkong Electric Holdings Ltd.

> Jia Sheng's move into car batteries comes amid widespread interest in electric vehicles because of higher oil prices.

Jia Sheng will use part of the proceeds from Mr. Li's investment to help fund its planned purchase of Chinese electric-vehicle-battery manufacturer **Union Grace Holdings** Ltd., in a deal valued at HK$2.75 billion, Jia Sheng said in its statement.

The company said it will also issue new shares and convertible bonds to the parties selling Union Grace to fund the deal.

Mr. Li's stake in Jia Sheng will amount to 11.8% once the planned acquisition is completed, but before the convertible bonds are exercised.

Novartis's Vasella steps aside as CEO

By Jeanne Whalen

Daniel Vasella is stepping down as chief executive of Swiss drug giant **Novartis** AG after 14 years in the job but staying as chairman, handing the CEO post to Joe Jimenez, a relative newcomer to the pharmaceutical industry.

Dr. Vasella, one of the longest-serving CEOs in the industry, has led Novartis since 1996 and built it into one of the world's largest drug companies by sales. The 56-year-old physician, who spent most of his career in the pharmaceutical industry, said he would focus on strategic priorities as chairman, including completion of Novartis's goal of taking over eye-care company **Alcon** Inc.

For the past two years, Mr. Jimenez, an American, has led Novartis's largest division—its prescription drug business—where he has overseen strong growth. He joined Novartis in 2007 from the packaged-goods industry, where he served as a top executive at H.J. Heinz Co. in the U.S. and Europe. Earlier in his career, Mr. Jimenez worked at Clorox Co. and at ConAgra Foods Inc.

Mr. Jimenez beat Novartis veteran Joerg Reinhardt to the top job. In 2008, Novartis named Mr. Reinhardt to the newly created post of chief operating officer, a promotion that showed he was being considered for CEO.

Novartis said Tuesday that Mr. Reinhardt had decided to leave the company. Dr. Vasella called his contribution to Novartis "outstanding."

"I have zero doubt that his phone is probably already ringing today," Dr. Vasella said.

Mr. Jimenez's elevation to the top job at Novartis is relatively unusual for the drug business, where CEOs tend to spend most of their careers in the industry.

Dr. Vasella said Novartis's board decided Monday to appoint Mr. Jimenez, selecting him in part because of his global experience.

Novartis said it had chosen Mr. Jimenez, age 50, because of his "outstanding performance track record, broad international business experience and his ability to provide direction, align and engage people."

Mr. Jimenez's most pressing job will be to manage the loss of patent protection for Novartis's biggest drug, the hypertension pill Diovan, which makes up some $5 billion in annual revenue. The drug's U.S. patent will expire in 2012, at which point its sales will be eroded by low-cost generics.

He has said he plans to make up these sales by expanding in emerging markets, and bringing new drugs for cancer and other diseases to the market. But new products are notoriously difficult to get past medical regulators such as the U.S. Food and Drug Administration. And many drug companies have staked future growth on emerging markets, which has increased competition.

Novartis also said fourth-quarter sales rose 28% to $12.9 billion and net income rose 54% to $2.3 billion. Results were boosted by sales of H1N1 vaccine, which reached $1 billion in the quarter.

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CORPORATE NEWS

Foxconn squeezed by handset slump

Contract manufacturer warns of 'significant decline' in 2009 profit, prompting shares to tumble in Hong Kong

By Lorraine Luk And Chester Yung

HONG KONG—Contract handset maker **Foxconn International Holdings** Ltd. said it expects to report a "significant decline" in 2009 net profit in a sign that intense competition and the global economic downturn continue to weigh on sales of mobile handsets.

Foxconn shares fell as much as 11% on the Hong Kong stock exchange Tuesday after the profit warning, ending down 8.7% at 8.08 Hong Kong dollars (US$1.04) each. Hong Kong's benchmark Hang Seng Index was down 2.6%

It disclosure Tuesday marks Foxconn's fourth profit warning since 2008, and contrasts the performance of its parent company, Taiwan-based **Hon Hai Precision Industry** Co., which has benefitted from strong orders from Apple Inc. Hon Hai assembles Apple products including iPods and the iPhone smart phone. Apple reported earlier this week a 50% rise in profit and a 32% increase in revenue for its fiscal first quarter ended Dec. 26.

Foxconn—which counts Nokia Corp. and Motorola Inc. as its major customers—cited foreign-exchange volatility, asset impairment and falling prices for the anticipated drop in earnings.

Analysts said demand for electronics had fallen during the economic downturn and the profit warning from Foxconn wasn't surprising. They expect a much better picture this year given rising demand for smart phones and other electronic devices as the global economy recovers and as clients increase outsourcing orders in the second half.

Associated Press

A security guard outside the entrance of Foxconn's Longhua plant in Shenzhen city in China.

"This [profit warning] should not come as a surprise as consensus earnings for 2009 already expected a 27% to 67% decline," said Jasmine Lu, an analyst at Morgan Stanley. "This does not alter our view of a solid earnings recovery in 2010."

Ms. Lu said any pullback in the share price can be a good buying opportunity in light of the company's anticipated orders from the first quarter with cost synergies coming through after it completed its site relocation to inland China.

But other analysts said the market has already priced in the company's expected recovery in 2010. Foxconn's shares had rise more than 50% since the end of September, as ivnestors bet that a recovering economy would translate into more handset sales.

"The stock is too pricey and the share price had run well ahead of a fundamental improvement," said analysts at Goldman Sachs in a note. The U.S. brokerage kept its "sell" rating on the stock.

The company was the best-performing blue chip in Hong Kong in 2009, with its share price rising 251%.

Foxconn is slated to release its full-year earnings before the end of April.

Foxconn's net profit in 2008 fell sharply to US$121.1 million from US$721.4 million a year earlier. Meanwhile, Hon Hai's January-September profit last year rose 1.9% to 46.68 billion Taiwan dollars (US$1.46 billion) from a year earlier.

Demand for Macs, iPhones fuels Apple

By Yukari Iwatani Kane

Two days before it's set to unveil a major new product, **Apple** Inc. reported a surge in quarterly profit and revenue that showed demand for its technology hasn't cooled off.

The Cupertino, Calif., company continued to power through the weak economy. Apple, after adjusting for a key accounting change, posted a 50% rise in profit and a 32% increase in revenue for its fiscal first quarter ended Dec. 26.

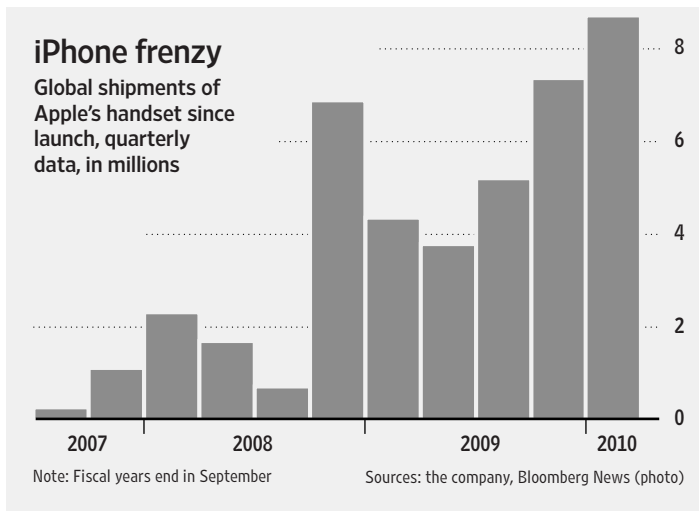
The growth was fueled by strong sales across most of Apple's product lines as iPhone shipments more than doubled and Macintosh computer sales climbed 33%.

"What this demonstrates is the strength of Apple's brand in good and bad times," said Bill Kreher, an analyst with Edward Jones.

Overall, Apple reported a quarterly profit of $3.38 billion, or $3.67 a share, up from $2.26 billion, or $2.50 a share, a year earlier. Revenue increased to $15.68 billion from $11.88 billion.

Apple said its latest results were helped by new accounting rules that allow it to recognize all the revenue for iPhone sales at the time the phones are sold. Previously, it deferred such revenue over 24 months, or the length of time consumers are expected to use the handsets. the company also restated past periods to reflect this change.

Apple, which is widely expected to announce Wednesday a new tablet device, offered no clues about the launch. But Chief Executive Steve Jobs alluded to the project for the first time, calling it "a major new product that we are really excited about."



The Wall Street Journal has reported the device will feature a 10- to 11-inch touch screen and a virtual keyboard. Apple, which appears to be aiming to change the way traditional content like magazines, newspapers and books are presented, plans to ship the tablet in March. Apple has been in discussions with various media providers about providing content.

In the December quarter, Apple sold 8.7 million iPhones, up from 4.4 million a year ago but below the expectations of some analysts, which had forecast more than nine million shipments.

Apple executives said iPhone sales increased in European markets like the U.K. and Germany and gained momentum in new markets in Asia such as China and South Korea. Apple also said iPhone use by corporate customers was increasing as the company added more features for business people and expanded its corporate sales staff.

"This is a key focus of ours," said Chief Operating Officer Tim Cook in a conference call with analysts.

Apple said it sold 3.4 million Macintosh computers in the quarter, up 33% from a year earlier, as it continues to take market share from machines running **Microsoft** Corp.'s Windows. "We believe that we're shipping the best products that we've ever shipped," said Mr. Cook, adding that sales in some markets were "absolutely spectacular."

It was helped by the introduction of new iMac desktop computers and a basic MacBook laptop in October.

One product area showed a decline: iPods. Apple sold nearly 21 million iPod units in the quarter, down 8% from a year ago. The drop was cushioned by sales of the iPod touch, whose features are similar to the iPhone's but lack the cellular capability. IPod touch shipments jumped 55%, enabling overall iPod revenue to rise 1%.

Amid speculation about whether Apple might offer new devices on networks other than **AT&T** Inc., Apple executives Monday defended their current wireless partner. On a conference call, Mr. Cook said, "AT&T is a great partner."

Apple, which is typically conservative about its financial forecasts, said it expects a seasonal decline in demand for its Macs, iPods and iPhones. For the current quarter, Apple projected revenue of about $11 billion to $11.4 billion, compared with $9.1 billion a year ago.

—Ben Charny contributed to this article.

Chevron makes gas discovery off Australia

By David Winning

SYDNEY—**Chevron** Corp. said it made a natural-gas discovery off Western Australia's coast as part of the proposed 43 billion Australian-dollar (US$39 billion) Gorgon liquefied-natural-gas project.

Chevron said the Yellowglen-1 exploration well had struck a 137-meter gas column, marking its third discovery in the greater Gorgon area in nearly as many months, after strikes at the Satyr-1 and Achilles-1 wells.

Chevron operates the Carnarvon Basin area where the Yellowglen-1 discovery was made. Units of **Royal Dutch Shell** PLC and **ExxonMobil** Corp. have 25% interests.

Paul Webber, a senior analyst for Australia at the IHS consulting firm, said Chevron hasn't provided enough information to determine how the Yellowglen-1 discovery compares with others. But he said recent discoveries would extend Gorgon's 40-year estimated life.

International energy companies have bet big on natural gas to capitalize on what they expect will be a surge in demand for cleaner-burning fuels.

Australia's stable political environment, substantial gas reserves and proximity to fast-growing Asian economies make it an attractive place to invest, particularly with U.S. gas prices low in the wake of a flood of domestic gas supply.

—Isabel Ordóñez contributed to this article.

CORPORATE NEWS

Delta steps up pitch for JAL alliance

Carrier reports a narrower net loss, calls its proposal superior to competing offer from American Airlines

By Ann Keeton

Delta Air Lines Inc. on Tuesday intensified the battle to lure **Japan Air Lines** Corp. into its global alliance and extolled the plan's virtues, even without antitrust immunity.

Delta Chief Executive Richard Anderson said the Japanese government was no longer courting an equity investment in ailing JAL from Delta or **AMR** Corp.'s American Airlines, forcing the U.S. carriers to tout the broader benefits of their competing proposals.

Delta and American both have said they would seek antitrust immunity to deepen future ties with JAL, which last week filed for bankruptcy protection. American CEO Gerard Arpey has said it would be "impossible" for a Delta-JAL combination to secure immunity because of their high market share on trans-Pacific routes.

Mr. Anderson said on a conference call that Delta's plan would be superior for JAL even if the carriers were denied immunity. American described his assertion as "fuzzy math."

The comments came as Delta's fourth-quarter loss beat expectations and the carrier provided the industry's most bullish assessment of a recovery, driven by returning business travelers.

Delta reported a fourth-quarter loss of $25 million, or three cents a share, compared with a year-earlier loss of $1.4 billion, or $2.11 a share. Excluding items, such as merger-related expenses and hedging losses, the loss would have narrowed to 27 cents a share from 50 cents a share. Revenue rose 1% to $6.81 billion.

Atlanta-based Delta's January bookings are well ahead of last year on domestic and trans-Atlantic routes, though weaker across the Pacific, with corporate business up 10%. The world's largest airline by revenue aims to leverage a gradual global economic recovery with more benefits from its 2008 merger with Northwest Airlines and income from charges such as bag fees.

Delta expects to keep seat capacity flat this year after last year's cuts in an effort to boost fares. It expects passenger revenue per seat mile, a key industry measure, to be positive throughout 2010.

—Joan E. Solsman and Doug Cameron contributed to this article.

Bloomberg News

Delta, whose planes are shown here in Salt Lake City in December, offered positive comments about a recovery.

Siemens earnings climb 23%

By Archibald Preuschat

MUNICH—German industrial conglomerate **Siemens** AG posted a 23% rise in profit for its fiscal first quarter as cost-cutting offset declining sales.

Earnings rose to €1.48 billion ($2.09 billion) for the quarter ended Dec. 31 from €1.2 billion a year earlier. The latest results were boosted by a €45 million gain from the sale of Siemens's airfield-lighting operations.

The Munich-based company has lowered its sales and administrative costs by €2 billion in the past two years and in fiscal 2009 reduced its work force by 22,000 employees.

That helped propel an 11% jump in first-quarter operating profit to €2.26 billion at its core business—comprising energy, industry and health care. The gain was driven by health care, despite market conditions that management called "still difficult."

Overall sales fell 12% to €17.35 billion, while order intake declined 15% to €18.98 billion.

"The actions we took at a very early stage are now cushioning us from the ongoing repercussions of the global recession," Chief Executive Peter Löscher said. But he said he plans more cuts.

"The crisis is not over. Even though we have every reason to be satisfied with our first quarter, we remain cautious," he said at a news conference Tuesday. "Adjustment measures in specific businesses and single locations are unavoidable."

Siemens said it expects sales to decline by a mid-single-digit percentage and operating profit at its main sectors to come in between €6 billion and €6.5 billion in the current fiscal year.

In the U.S., Siemens expects some stabilization, echoing similar statements by rivals. But Mr. Löscher said uncertainty remains over whether President Barack Obama will be able to push through his health-care reforms.

Chief Financial Officer Joe Kaeser said that if the company receives offers for its hearing-aid unit, "we will evaluate them," answering a question about speculation that the operation will be sold.

Dutch rival Philips Electronics NV on Monday posted better-than-expected fourth-quarter earnings as months of cost savings and restructuring measures started to pay off. General Electric Co. of the U.S. last week reported a 19% drop in fourth-quarter earnings and forecast a return to growth next year.

Siemens is a barometer for the world's manufacturing industry, with 402,000 employees in 190 countries and products that span hospital equipment, transportation, factory automation gear and power turbines. Like Philips and GE, the German company has suffered from a demand slump brought about by the global downturn.

The results were "extraordinarily strong," Bank of America-Merrill Lynch said, reiterating its "buy" recommendation and €75 target price. Siemens shares rose 5.1% to close at €67.92 Tuesday in Frankfurt.

Airbus, China firm sign financing deal

By David Pearson

PARIS—Airbus on Tuesday said it has signed a memorandum of understanding with China-based **CDB Leasing** Co. to cooperate on aircraft-leasing and -financing projects for Airbus's customers.

CDB Leasing will provide as much as $4 billion over the next five years in financing for airlines procuring Airbus aircraft, said Airbus, a unit of **European Aeronautic Defence & Space** Co.

The unwillingness of banks to take on new risk has meant that some financially fragile airlines have been forced to delay delivery of aircraft they have ordered because they haven't been able to raise the necessary financing for their final payments.

Others have had to scrap plans to order new jets because they can't find the cash to put up deposits, which can be about 15% of the total value of an aircraft.

By making financing available to Airbus customers world-wide, CDB Leasing will help to ease these logjams in coming years. CDB Leasing is a nonbank financing arm of **China Development Bank** and is the largest financial-leasing company in China in terms of registered capital and total assets.

CDB Leasing will provide financing for all types of Airbus aircraft that come off its three assembly sites in France, Germany and China, and will also fund purchases of used Airbus aircraft.

It can also help finance the cost of transforming passenger jets into freighters.

Airbus said CDB Leasing also is considering purchasing a certain number of aircraft directly from Airbus to lease to airlines.

To date, CDB Leasing has handled financing arrangements for 51 Airbus jets.

—Mimosa Spencer in Paris contributed to this article.

Tullow pre-empts Eni in Uganda oil purchase

By James Herron

LONDON—**Tullow Oil** PLC said it had signed an agreement to buy **Heritage Oil** PLC's Ugandan oil assets for as much as $1.5 billion, pre-empting Heritage's previous sale agreement with **Eni** SpA and eliminating the possibility of a rival offer.

The deal remains subject to approval of the Ugandan government, which will now make the final decision over which company will lead development of Lake Albert—a major new oil province where around a billion barrels have been discovered. The government has yet to give clear public backing to either Italy's Eni or the U.K.'s Tullow to take over the assets.

Eni declined to comment.

Ernest Rubondo, the head of Uganda's petroleum production and exploration department said the government expected to get details of the Heritage-Tullow agreement on Tuesday and would then decide whether Eni or Tullow should acquire the assets.

U.K.-based Heritage owns half of two blocks in the Lake Albert region where the oil discoveries were made. Tullow owns the other half of those blocks and all of a third, where the largest single oil field has been found. Acquiring Heritage's assets would give Tullow full ownership of the Lake Albert oil licenses.

Heritage's shareholders voted to approve a sale to either company Monday.

"Tullow will now work closely with Heritage and the government of Uganda to expedite the approval process, which is expected to be completed in the first quarter," the company said.

Ugandan Minister of Energy and Minerals Hillary Onek last week gave his backing to Eni and said the government might veto Tullow's purchase if the government believed Tullow would gain a monopoly over Uganda's oil resources.

Ugandan President Yoweri Museveni met with Tullow Friday and was supportive of the company's contractual right to pre-emptively purchase the Heritage assets, Brian Glover, the head of Tullow Oil Uganda, said Saturday. Political analysts have said Mr. Museveni will have the final say on the matter and can overrule his cabinet.

Tullow's $1.5 billion purchase would give it full ownership of Lake Albert oil licenses.

Tullow has said it won't retain full ownership of the assets and will quickly sell up to half of the three blocks to one or two other major oil companies. "Tullow is currently discussing preferred partners with the government and expects to complete this transaction in parallel with the purchase from Heritage," Tullow said.

ExxonMobil Corp., **Total** SA and **China National Offshore Oil** Corp. are among Tullow's most likely partners in Uganda, people familiar with the matter have said.

Mr. Museveni met with representatives of the Chinese oil company on Monday to discuss its potential involvement, a Ugandan official with knowledge of the matter said Tuesday. Mr. Museveni said Cnooc is welcome to enter the country's oil sector, according to his office.

—Nicholas Bariyo in Kampala, Uganda, contributed to this article.

MARKETS

Stock investors near limit on Japan

Foreigners have been net buyers on the Tokyo Stock Exchange for eight weeks, but that may change as risks loom

By Juro Osawa

TOKYO—Demand from offshore investors has sent the Nikkei 225 Stock Average higher of late, but the gains don't reflect a fundamental, long-term change in their view on Japan and its economic outlook.

Japan's revival owes in part to the central bank's decision in early December to expand its monetary easing. There has also been new Finance Minister Naoto Kan's preference for a weaker yen; the currency's strength last year hurt Japanese exporters.

But the recent rally in shares is due mostly to events outside Japan's making: Investors have looked to Japan as they have turned cautious about the pace of the European and U.S. economic recoveries, fretted about Greece's fiscal problems and worried that China might start to crack down on lending and thus slow that economy's growth. In other words, laggard Japan has enjoyed a windfall, even as its economic fundamentals remain poor.

Foreigners were net buyers of Japanese stocks for eight straight weeks through the second week of January, with the Nikkei index up 16% over the same period.

Prior to December, Tokyo was far behind other major global markets; as of the end of November, the Nikkei was up 5.5% for the year, while the Dow Jones Industrial Average had gained 18%.

But offshore investors may already be running out of momentum.

According to a poll of global fund managers this month by Bank of America Merrill Lynch, the portion of equities in those investors' portfolios has risen sharply since the last poll in December. Those overweight stocks—compared with the benchmark neutral asset allocation—outnumbered those who were underweight by the biggest margin in 2½ years.

Global investors now "seem to be nearly maxed out on overall equities buying," says Bank of America Merrill Lynch equity strategist Masatoshi Kikuchi.

It is doubtful that foreign investors will continue to fund Japanese stock purchases by cutting their exposure elsewhere. Especially when the Japanese market faces many risks. There is the threat of renewed yen strength. The U.S. dollar has been flirting in recent days with a sustained break under 90 yen. If U.S. economic data remain poor—and if there are signs this week from the Federal Reserve it won't tighten policy anytime soon—that could further hurt the dollar.

If the investigation of powerful ruling party politician Ichiro Ozawa triggers a further decline in support for the Democratic Party of Japan, that may sour sentiment for stocks.

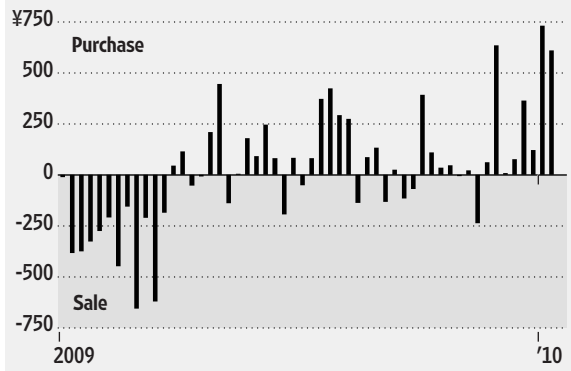
Weak domestic demand and falling prices pose a threat to the economic recovery. The Bank of Japan has said it expects deflation to continue over the next couple of years, and Standard & Poor's Ratings Services threatened Tuesday to cut Japan's government debt rating by a notch, saying the government isn't fixing the nation's bloated finances as fast as expected.

Foreign investors who snapped up stocks may be quick to sell if earnings improvements in the year through March lift shares further.

A man watches an electronic stock board of a securities firm in Tokyo on Tuesday.

Foreign investment in Japan | Overseas demand fueled Nikkei's recent comeback

Weekly purchases and sales of domestic securities by non-residents, in billions of yen



Performance of the Nikkei Stock Average of 225 companies vs. Dow Jones Industrial Average

Source: Ministry of Finance, Japan (securities); Thomson Reuters Datastream (index); Associated Press (photo)

Betting on a debt anomaly

By Gregory Zuckerman

Worries about the heavy debts of a number of countries have gotten so extreme in some places that investors are betting that some businesses in those nations are more creditworthy than the nations themselves.

The investors are making the bets using credit-default swaps, which pay off when a bond defaults. Buying protection on companies usually is more expensive than buying it on countries, which rarely default.

But, lately, it has become more expensive to buy protection for the debt of a range of countries than it is to purchase similar protection for some companies in those nations. It is as if investors are betting that the government of Spain, for example, has a greater chance of defaulting on its debt than do some Spanish banks.

The anomaly reflects nervousness about all the debt racked up by various nations, as well as relative optimism about some top-rated companies with healthy balance sheets.

Of course, some investors have been buying credit-default-swap contracts that insure the debt of various nations, not because they expect defaults, but because they are wagering that sentiment about those nations will continue to sour and that the price of credit-default-swap insurance will rise as a result.

At the same time, the market for credit-default-swap protection isn't always active for many issues, and that can cause odd distortions in the market, some analysts say.

The unusual pricing is attracting hedge funds and other traders wagering that it can't last over the long haul. These investors are buying relatively inexpensive protection for the debt of a range of companies, while simultaneously selling more-expensive protection for the nations these firms are based in. Though, at times in the past, debt of companies has been more expensive than debt of countries, traders say the anomaly doesn't usually involve so many companies for such a long period.

The assumption behind this trade is that countries generally are better risks than are companies, if only because countries can raise taxes. And if one of these nations runs into trouble paying its debt, companies in those countries also likely will be crippled.

Those focusing on this trade often are smaller hedge-fund firms, such as the $300 million **Xaraf Management** LLC. But some larger funds are doing versions of the trade through indexes that can trade actively, traders say. They are shorting, or betting against, indexes that track corporate bonds, for example, while buying indexes that track sovereign debt.

One place they are watching: Spain. Five-year credit-default-swap contracts that protect $1 million of debt of Spanish banks, such as **Banco Santander** SA, cost about $10,500 annually; but it costs about $12,000 to buy similar protection for Spain's debt itself. The hedge funds are wagering against the banks' debt and for improved interest in the debt of the country.

Meanwhile, it cost about $11,000 to insure Italy's government debt, but between $8,300 and $9,500 to buy similar protection on some Italian companies, such as Italian bank **Intesa Sanpaolo** SpA and electricity company **Enel** SpA. It is true in some cases in Ireland as well.

The phenomenon also can be seen in some instances in the U.S. It costs $3,500 to $4,100 annually to buy credit-default swaps to insure $1 million bonds of both **Merck** & Co. and **Coca-Cola** Co., but about $4,500 to purchase contracts to protect comparable Treasurys.

Those involved in the trade acknowledge that it might not work for some time. If the fiscal health of these nations worsens, credit-default-swap contracts on that debt could become even more expensive, hurting these traders.

At the same time, corporations often have less debt relative to their assets than some nations, as well as better prospects, making it dangerous to bet against this corporate debt.

Telecom deals rebound after a four-year slump

By Liam Vaughan

Liberty Global Inc.'s $4 billion deal to sell its stake in Japanese telecommunications-services provider Jupiter Telecommunications Inc. was the fourth $1 billion-plus transaction in the sector this year, signalling a strong return to activity for telecommunications mergers and acquisitions following years of steady decline.

KDDI Corp.'s bid for 37.8% of Jupiter brings the year-to-date total for telecommunications deals to $36.1 billion.

The sale of the stake, announced late Monday, follows Mexican wireless company **America Movil** SAB's acquisitions of domestic rivals Carso Global Telecom for $24.3 billion and Telmex Internacional for $3.5 billion, as well as **GTL Infrastructure** Ltd.'s takeover of India rival **Aircel** Ltd.'s tower operations for $1.8 billion.

The remainder of the activity is comprised of deals valued at less than $1 billion.

The total value of trade in the sector has been on a steady slide since its 2005 record of $401.5 billion, falling an average of 16% every year, according to Dealogic.

Last year, the value of global telecommunications mergers and acquisitions was $193.4 billion, the lowest year-end total since 2003.

"This year is likely to be a better year than last for M&A in the sector, although there is still an upper limit as to how much activity will go on," said Gary Taylor, telecommunications strategy director at PricewaterhouseCoopers. "The industry is realizing that there is not a lot of debt-financing available for big ticket M&A and that has forced people to be more creative in how they put deals together—for example, by hunting out situations where there is existing debt available."

The total value of trade in the sector has been on a steady slide since 2005.

Some telecommunications companies also are looking to refocus on their core businesses, and, like Aircel, might divest noncore businesses, Mr. Taylor said. "This is likely to drive divestments.

"However, by definition these opportunities remain limited and only open to a few acquirers. We are not predicting a bumper year for M&A in the sector," Mr. Taylor cautioned.

MARKETS

Fight for control takes center stage

After Tishman Speyer, BlackRock exit huge New York apartment complex, creditors and residents size up a deal

By Lingling Wei And Nick Timiraos

Creditors and potential buyers are scrambling for control of a massive apartment complex in New York after the owners gave up Peter Cooper Village and Stuyvesant Town, once viewed as one of Manhattan's most valuable residential properties.

Tishman Speyer Properties and its primary partner, **BlackRock** Inc., decided over the weekend to turn over the 56-building complex to creditors rather than pursue other options including potentially putting it into bankruptcy. The move came after the venture was unable to restructure the $4.4 billion in debt used to help finance its top-of-the-market purchase of the property. The decision means that the owners won't use bankruptcy as a defensive hostile strategy to stay in control.

The leading contender to get initial control is **CW Capital**, a servicer that represents the investors who hold the $3 billion first mortgage on the property. That mortgage was packaged into commercial mortgage-backed securities known as CMBS. But the property's debt structure is complicated and others are likely to push for control, including possibly the thousands of residents of the more than 50-year-old complex.

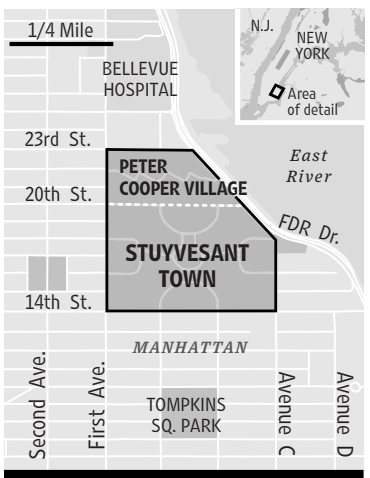
In addition to the first mortgage, there is $1.4 billion of junior, or "mezzanine," debt on the property and some holders of that debt have also been maneuvering for control in recent weeks. Some junior creditors may try to replace the Tishman venture as owners by agreeing to pay the debt service on the first mortgage. If CW Capital takes over, the mezzanine investors likely will suffer a big loss.

Now the question is, "who will take the keys on behalf of which level of debt," said Mark Edelstein, head of the real-estate group at law firm Morrison & Foerster LLP. According to a person familiar with the situation, the Tishman venture has reached out to CW Capital to start the property-transfer process.

Meantime, other outside investors have begun to circle the complex. CW Capital has had discussions with real-estate companies including **Related Cos.** to take over management of the complex, which Tishman said it would give up once it lost control. A CW official didn't return calls and a Related spokeswoman declined to comment.

Also, an executive with **LeFrak Organization** Inc. said Monday it will pursue a plan to manage and recapitalize Stuyvesant Town in partnership with private-equity firms **Centerbridge Partners** and **W.L. Ross** & Co. LeFrak, one of the largest private real-estate owners in the country, and its partners are talking to creditors about its bid to play a role. "I don't think there exists another firm with our capabilities," said Harrison LeFrak, who runs the company with his father and brother.

Another bidder may be tenants of the complex, who bid on the property against the Tishman group and others in 2006. New York City Councilman Daniel R. Garodnick, who lives in Peter Cooper Village, said the tenants would be interested in bidding for the property if it is again available for sale. "We're putting together our advisory team and will be ready as the opportunity arises," Mr. Garodnick said.



56 Number of buildings
11,000 Number of units
1947 Year first tenants moved in
Developer: **Metropolitan Life Insurance**
Amenities: **Putting green, seven playgrounds, 80-acre park, free outdoor concerts**

Reuters

New York City's Stuyvesant Town and Peter Cooper Village, foreground, are back up for grabs.

Investors have long coveted the complex, which was developed more than 50 years ago by Metropolitan Life Insurance Co. for servicemen returning from World War II. The complex has 11,000 units and attractive amenities like parks, playgrounds and a putting green in the midst of Manhattan's pricey real-estate market. For decades, rent increases were limited by government rent guidelines. But as the city and state began to ease those restrictions, investors began to calculate the enormous cash flow the apartments would produce if they went to market rents.

That was the plan of the Tishman group, which purchased the complex for $5.4 billion in 2006, the most ever paid for a single residential property in the U.S. But the group's plan was torpedoed first by the economic downturn that sent rents and demand falling. Apartment rents fell by 5.6% in New York City last year, according to Reis Inc., the largest one-year drop in at least two decades.

The Tishman strategy also was undercut by a court ruling that hindered the landlord's ability to raise rents to market rates. Earlier this month, the Tishman group missed a payment on the first mortgage. The property currently produces about $5.3 million less in cash flow than what is necessary to service that debt.

The maneuvering among the creditors involves some of the biggest names in finance. A spokeswoman for Freddie said Monday that the company "doesn't expect any losses" because it holds the most senior CMBS tranche.

Holders of the mezzanine debt include the **Government of Singapore Investment** Corp., or GIC, **Hartford Financial Services Group** Inc. and Concord Capital, an affiliate of **Winthrop Realty Trust**. A group of holders of about $300 million in the mezzanine debt, including Concord, was turning up the pressure on Tishman, threatening to foreclose within 90 to 180 days.

Until the weekend, the Tishman partnership was considering various options including potentially putting the property into bankruptcy protection, according to people familiar with the matter. But on Saturday, the group decided to give it up to creditors. "We make this decision as we feel a battle over the property or a contested bankruptcy proceeding is not in the long-term interest of the property, its residents, our partnership or the City," the venture said in a statement.

Tishman, BlackRock and other investors in the deal including the **California Public Employees' Retirement System**, a Florida pension fund and the Church of England are likely to lose their entire $1 billion investment. "Even God Losing Money on Stuy Town," quipped a headline on Curbed, a New York real-estate blog.

—Peter Lattman, Mike Spector and Christina S.N. Lewis contributed to this article.

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Andatee has weak start to trading on Nasdaq

By Lynn Cowan

A small fish in the IPO world showed lackluster trading during its debut, with **Andatee China Marine Fuel Services** Corp. declining in its first hours as a public company.

IPO FOCUS

The company's stock opened at $6.30 on the Nasdaq, flat with its initial-public-offering price, and declined from there, trading late morning at $6.25, down five cents. A total of 3.1 million shares were sold at the low end of its $6 to $8 expected range, which was set by underwriters **Rodman & Renshaw** LLC and **Newbridge Securities** Corp.

Andatee produces and distributes shipping fuel for fishing boats and cargo vessels in three coastal Chinese provinces.

Revenue declined in 2008 during the global economic crisis, but picked up again in the first three quarters of 2009, rising 32% to $85 million. Profit doubled to $4.7 million compared with the same period in 2008.

The market for oil for the small and medium-size vessels that Andatee serves is very fragmented and competitive. Unstable supplies often lead to chronic oil shortages, resulting in black-market operations and the potential for poor-quality fuel, according to its prospectus.

Andatee says that even when it prices its fuel higher, boat operators have been willing to pay for more reliable quality.

Some fear a prolonged Asian slump

Continued from page 19

from late Monday, dropping below 90 U.S. cents for the first time since the start of the year. The dollar strengthened nearly 1% against the Indonesian rupiah. Central banks in Jakarta and Manila intervened in foreign-exchange markets by selling dollars to smooth the fall of local currencies, according to traders.

The markets hardest hit have been those most closely leveraged to China's economy. The benchmark index in Taiwan fell 3.5% to close at an eight-week low, down 7.2% for the year. Traders there believe the market has more room to fall.

Some investors are relieved at the pullback, hoping it creates buying opportunities. "With the correction, I actually feel more comfortable," says Samantha Ho, investment director at Invesco in Hong Kong. She notes 2010 price-to-earning ratios for Chinese stocks have dropped from more than 14 times expected earnings to 13 times, below the long-run average. Still, she is only buying selectively and says sentiment is quite negative.

—Charmian Kok
— contributed to this article.

Dollar mixed as China fears chill market

By Bradley Davis

NEW YORK—The dollar advanced on the euro Tuesday as a wave of risk aversion washed over markets on fears China will slow its economic expansion and thus throw a wrench into a global recovery.

Better-than-expected U.S. consumer confidence data Tuesday helped the dollar erase some of its losses against the yen, but the greenback remained weaker against the Japanese currency.

CURRENCY MARKETS

Worries over China combined with continued concern over the fate of the countries that use to euro, especially Greece, and are struggling with mounting fiscal deficits. The euro hit a nine-month low against the yen overnight.

"The data is better, but it doesn't seem to be enough to turn the tide," of risk aversion, said Brian Dolan, chief currency strategist at Forex.com in Bedminster, N.J.

By midday Tuesday in New York, the euro had weakened to $1.4092 from $1.4154 late Monday. The dollar moved to 89.54 yen from 90.23 yen.

The euro weakened to 126.18 yen from 127.71 yen. The U.K. pound weakened to $1.6145 from $1.6241. The dollar strengthened to 1.0441 Swiss francs from 1.0397 francs.

U.S. consumer confidence rose for a third consecutive month in January, according to a report released Tuesday by the Conference Board. The dollar strengthened slightly against the yen after the release of the data but was little-changed against the euro, with the common currency still trading near intraday lows as concerns over Greece overshadow any improvements in global data.

Greek Finance Minister George Papaconstantinou on Tuesday detailed a diversified global borrowing plan to plug government fiscal gaps including hopes to raise as much as $10 billion from Chinese and other Asian investors.

In an interview with Dow Jones Newswires, he also said he is confident that the European Union council of finance ministers will approve the country's three-year deficit-reduction plan next month.

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Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
3	**HSBC GIF Indian Equity A Inc**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**-2.16**	167.09	-9.88	20.51
1	**Danske Invest India K**	Sampo Rahastoyhtiö Oy	EUR	Finland	**-1.91**	162.15	-9.52	NS
1	**Kotak Indian Mid-Cap C**	Kotak Mahindra (International) Limited	USD	Mauritius	**-0.33**	138.60	-20.23	16.89
3	**UTI India 1986 Shares**	UTI International Ltd	GBP	Mauritius	**2.41**	132.74	4.60	26.43
NS	**GS India Equity A**	Goldman Sachs Asset Mngmt Intl	USD	Luxembrg	**-4.02**	128.71	NS	NS
3	**Jupiter JGF India Select L USD**	Jupiter Asset Management Ltd.	USD	Luxembrg	**-0.44**	125.19	-5.31	21.79
NS	**Jupiter India**	Jupiter Unit Trust Managers Ltd	GBP	United Kingdom	**-0.22**	122.51	NS	NS
1	**FF - India Focus A Euro**	Fidelity (FIL (Luxembourg) S.A.)	EUR	Luxembrg	**-1.38**	121.26	-16.47	15.27
3	**Horizon Access India Acc**	KBC Asset Management N.V.	USD	Belgium	**-3.08**	119.75	-12.01	NS
2	**Lloyd George India**	Lloyd George Investment Managers	USD	Mauritius	**1.48**	119.32	-15.08	20.32

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
AHW Top-Div.Int.	GL	EQ	LUX	01/22	EUR	51.43	-5.9	28.8	-23.6

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Am Eq Blend A	OT	OT	LUX	01/25	USD	10.15	-2.1	33.7	-11.2
Am Eq Blend B	US	EQ	LUX	01/25	USD	9.53	-2.3	32.4	-12.0
Am Growth A	US	EQ	LUX	01/25	USD	30.14	-3.5	37.4	-1.8
Am Growth AX	US	EQ	LUX	01/25	USD	32.55	-3.5	38.2	-1.2
Am Growth B	US	EQ	LUX	01/25	USD	25.32	-3.6	36.0	-2.8
Am Growth C	US	EQ	LUX	01/25	USD	27.26	-3.5	36.7	-2.2
Am Growth I	US	EQ	LUX	01/25	USD	33.42	-3.5	38.4	-1.0
Am Income A	US	BD	LUX	01/25	USD	8.50	0.8	26.2	5.9
Am Income A2	US	BD	LUX	01/25	USD	19.28	1.3	26.3	5.8
Am Income A2	OT	OT	NA	01/25	HKD	149.79	1.2	NS	NS
Am Income AT	OT	OT	NA	01/15	HKD	66.20	1.2	NS	NS
Am Income AT	US	BD	LUX	01/25	USD	8.51	1.2	26.2	5.8
Am Income B	US	BD	LUX	01/25	USD	8.50	0.8	25.2	5.1
Am Income B2	US	BD	LUX	01/25	USD	16.60	1.2	25.3	5.1
Am Income B2	OT	OT	NA	01/25	HKD	128.97	1.2	NS	NS
Am Income BT	OT	OT	NA	01/25	HKD	66.50	1.2	NS	NS
Am Income BT	US	BD	LUX	01/25	USD	8.56	1.2	25.4	5.1
Am Income C	US	BD	LUX	01/25	USD	8.50	0.8	25.6	5.4
Am Income C2	US	BD	LUX	01/25	USD	24.70	1.2	25.7	5.4
Am Income I	US	BD	LUX	01/25	USD	8.50	0.8	27.0	6.5
Am Value A	US	EQ	LUX	01/25	USD	8.40	-1.5	20.3	-10.9
Am Value B	US	EQ	LUX	01/25	USD	7.73	-1.5	19.3	-11.8
Am Value C	US	EQ	LUX	01/25	USD	8.40	-1.5	19.8	-11.4
Am Value I	US	EQ	LUX	01/25	USD	9.05	-1.4	21.5	-10.2
Emg Mkts Debt A	GL	BD	LUX	01/25	USD	15.60	0.3	44.4	8.2
Emg Mkts Debt A2	GL	BD	LUX	01/25	USD	20.25	0.7	44.5	8.2
Emg Mkts Debt AT	GL	BD	LUX	01/25	USD	15.71	0.7	44.5	8.3
Emg Mkts Debt B	GL	BD	LUX	01/25	USD	15.60	0.3	43.0	7.1
Emg Mkts Debt B2	GL	BD	LUX	01/25	USD	19.49	0.7	43.1	7.2
Emg Mkts Debt BT	GL	BD	LUX	01/25	USD	15.68	0.6	43.0	7.1
Emg Mkts Debt C	GL	BD	LUX	01/25	USD	15.60	0.3	43.8	7.7
Emg Mkts Debt C2	GL	BD	LUX	01/25	USD	19.89	0.7	43.8	7.7
Emg Mkts Debt I	GL	BD	LUX	01/25	USD	15.60	0.3	45.1	8.7
Emg Mkts Growth A	GL	EQ	LUX	01/25	USD	33.08	-4.5	81.6	-10.1
Emg Mkts Growth B	GL	EQ	LUX	01/25	USD	28.02	-4.6	79.7	-11.0
Emg Mkts Growth C	GL	EQ	LUX	01/25	USD	28.67	-4.6	80.8	-10.5
Emg Mkts Growth I	GL	EQ	LUX	01/25	USD	36.69	-4.5	83.0	-9.4
Eur Growth A	OT	OT	LUX	01/25	USD	9.75	-2.0	30.7	-12.8
Eur Growth A	OT	OT	LUX	01/25	EUR	6.89	-2.0	30.7	-12.8
Eur Growth B	OT	OT	LUX	01/25	EUR	6.19	-2.1	29.5	-13.7
Eur Growth B	OT	OT	LUX	01/25	USD	8.76	-2.1	29.5	-13.7
Eur Growth C	EU	EQ	LUX	01/25	EUR	5.21	-2.3	29.9	-13.3
Eur Growth I	OT	OT	LUX	01/25	USD	10.62	-2.1	31.8	-12.2
Eur Growth I	OT	OT	LUX	01/25	EUR	7.51	-2.1	31.8	-12.2
Eur Income A	OT	OT	LUX	01/25	EUR	6.72	1.8	42.2	5.7
Eur Income A	OT	OT	LUX	01/25	USD	9.51	1.8	42.2	5.7
Eur Income A2	OT	OT	LUX	01/25	EUR	13.16	2.3	42.1	5.7
Eur Income A2	OT	OT	LUX	01/25	USD	18.62	2.3	42.1	5.7
Eur Income AT	EU	BD	LUX	01/25	EUR	6.73	2.3	42.2	5.7
Eur Income B	OT	OT	LUX	01/25	EUR	6.72	1.8	41.3	5.0
Eur Income B	OT	OT	LUX	01/25	USD	9.51	1.8	41.3	5.0
Eur Income B2	OT	OT	LUX	01/25	EUR	12.23	2.2	41.1	4.9
Eur Income B2	OT	OT	LUX	01/25	USD	17.30	2.2	41.1	4.9
Eur Income BT	EU	BD	LUX	01/25	EUR	6.73	2.1	41.0	5.0
Eur Income C	OT	OT	LUX	01/25	EUR	6.72	1.8	41.6	5.2
Eur Income C	OT	OT	LUX	01/25	USD	9.51	1.8	41.6	5.2
Eur Income C2	OT	OT	LUX	01/25	EUR	13.11	2.2	41.4	5.2
Eur Income C2	OT	OT	LUX	01/25	USD	18.55	2.2	41.4	5.2
Eur Income I	OT	OT	LUX	01/25	EUR	6.72	1.8	42.9	6.2
Eur Income I	OT	OT	LUX	01/25	USD	9.51	1.8	42.9	6.2
Eur Strat Value A	OT	OT	LUX	01/25	EUR	8.32	-2.5	35.9	-16.3
Eur Strat Value A	OT	OT	LUX	01/25	USD	11.77	-2.5	35.9	-16.3
Eur Strat Value I	OT	OT	LUX	01/25	EUR	8.52	-2.5	37.2	-15.6
Eur Strat Value I	OT	OT	LUX	01/25	USD	12.05	-2.5	37.2	-15.6
Eur Value A	OT	OT	LUX	01/25	EUR	8.94	-2.8	40.3	-13.4
Eur Value A	OT	OT	LUX	01/25	USD	12.65	-2.8	40.3	-13.4
Eur Value B	OT	OT	LUX	01/25	USD	11.63	-2.8	39.1	-14.3
Eur Value B	OT	OT	LUX	01/25	EUR	8.22	-2.8	39.1	-14.3
Eur Value C	OT	OT	LUX	01/25	USD	12.22	-2.8	39.8	-13.8
Eur Value C	OT	OT	LUX	01/25	EUR	8.64	-2.8	39.8	-13.8
Eur Value I	OT	OT	LUX	01/25	USD	14.63	-2.6	41.6	-12.6
Eur Value I	OT	OT	LUX	01/25	EUR	10.34	-2.6	41.6	-12.6
Gl Balanced (Euro) A	OT	OT	LUX	01/25	USD	16.08	-0.9	25.5	-8.9
Gl Balanced (Euro) B	OT	OT	LUX	01/25	USD	15.66	-0.9	24.2	-9.7
Gl Balanced (Euro) C	OT	OT	LUX	01/25	USD	15.96	-0.9	25.2	-9.1
Gl Balanced (Euro) I	OT	OT	LUX	01/25	USD	16.40	-0.8	NS	NS
Gl Balanced A	US	BA	LUX	01/25	USD	16.28	-1.2	31.0	-8.6
Gl Balanced B	US	BA	LUX	01/25	USD	15.47	-1.3	29.7	-9.5
Gl Balanced C	OT	OT	LUX	01/25	USD	16.03	-1.3	30.5	-8.9
Gl Balanced C	OT	OT	LUX	01/25	EUR	11.33	-1.3	30.5	-8.9
Gl Balanced I	US	BA	LUX	01/25	USD	16.89	-1.2	31.9	-7.9
Gl Bond A	US	BD	LUX	01/25	USD	9.35	1.2	15.2	4.7
Gl Bond A2	US	BD	LUX	01/25	USD	16.25	1.5	15.2	4.6
Gl Bond A2	OT	OT	NA	01/25	HKD	126.25	1.5	15.2	4.6
Gl Bond AT	OT	OT	LUX	01/25	HKD	72.72	1.5	15.2	4.7
Gl Bond AT	US	BD	LUX	01/25	USD	9.36	1.5	15.2	4.7
Gl Bond B	US	BD	LUX	01/25	USD	9.35	1.2	14.1	3.6
Gl Bond B2	US	BD	LUX	01/25	USD	14.22	1.4	14.0	3.6
Gl Bond B2	OT	OT	NA	01/25	HKD	110.48	1.4	14.0	3.6
Gl Bond BT	OT	OT	LUX	01/25	HKD	72.95	1.4	14.0	3.6
Gl Bond BT	US	BD	LUX	01/25	USD	9.39	1.4	14.0	3.6
Gl Bond C	US	BD	LUX	01/25	USD	9.35	1.2	14.7	4.2
Gl Bond C2	US	BD	LUX	01/25	USD	14.10	1.5	14.7	4.2
Gl Bond I	US	BD	LUX	01/25	USD	9.35	1.2	15.8	5.2
Gl Conservative A	US	BA	LUX	01/25	USD	14.86	-0.1	19.9	-3.0
Gl Conservative A2	US	BA	LUX	01/25	USD	16.92	-0.1	19.9	-2.9
Gl Conservative B	US	BA	LUX	01/25	USD	14.84	-0.1	18.7	-3.9
Gl Conservative B2	US	BA	LUX	01/25	USD	16.06	-0.2	18.7	-3.9
Gl Conservative C	US	BA	LUX	01/25	USD	14.85	-0.1	19.4	-3.4
Gl Conservative C2	US	BA	LUX	01/25	USD	16.54	-0.1	19.3	-3.4
Gl Conservative I	US	BA	LUX	01/25	USD	14.93	-0.1	20.9	-2.2
Gl Eq Blend A	GL	EQ	LUX	01/25	USD	11.31	-3.0	41.0	-18.0
Gl Eq Blend B	GL	EQ	LUX	01/25	USD	10.61	-3.1	39.6	-18.8
Gl Eq Blend C	GL	EQ	LUX	01/25	USD	11.11	-3.1	40.5	-18.3
Gl Eq Blend I	GL	EQ	LUX	01/25	USD	11.94	-2.9	42.1	-17.3
Gl Growth A	GL	EQ	LUX	01/25	USD	40.47	-3.4	36.5	-19.0
Gl Growth B	GL	EQ	LUX	01/25	USD	33.76	-3.5	35.1	-19.8
Gl Growth C	GL	EQ	LUX	01/25	USD	38.82	-3.5	35.9	-19.3
Gl Growth I	GL	EQ	LUX	01/25	USD	44.96	-3.4	37.6	-18.3
Gl High Yield A	US	BD	LUX	01/25	USD	4.38	1.2	59.8	6.1
Gl High Yield A2	US	BD	LUX	01/25	USD	9.43	1.8	59.8	6.1
Gl High Yield A2	OT	OT	NA	01/25	HKD	73.26	1.8	59.8	6.1
Gl High Yield AT	OT	OT	NA	01/25	HKD	33.87	1.9	59.5	6.1
Gl High Yield AT	US	BD	LUX	01/25	USD	4.36	1.9	59.5	6.1
Gl High Yield B	US	BD	LUX	01/25	USD	4.38	1.2	57.7	4.8
Gl High Yield B2	US	BD	LUX	01/25	USD	15.15	1.8	58.1	5.1
Gl High Yield B2	OT	OT	NA	01/25	HKD	117.70	1.8	58.1	5.1
Gl High Yield BT	OT	OT	NA	01/25	HKD	34.42	1.6	57.9	5.1
Gl High Yield BT	US	BD	LUX	01/25	USD	4.43	1.6	57.9	5.1
Gl High Yield C	US	BD	LUX	01/25	USD	4.38	1.2	58.9	5.6
Gl High Yield C2	US	BD	LUX	01/25	USD	13.97	1.8	58.9	5.6
Gl High Yield I	US	BD	LUX	01/25	USD	4.38	1.2	60.9	6.8
Gl Thematic Res. A	OT	OT	LUX	01/25	USD	14.23	-3.4	76.1	1.7
Gl Thematic Res. B	OT	OT	LUX	01/25	USD	12.44	-3.5	74.5	0.7
Gl Thematic Res. I	OT	OT	LUX	01/25	USD	15.87	-3.4	77.5	2.5
Gl Value A	GL	EQ	LUX	01/25	USD	10.85	-2.6	45.8	-16.9
Gl Value B	GL	EQ	LUX	01/25	USD	9.96	-2.7	44.3	-17.8
Gl Value C	GL	EQ	LUX	01/25	USD	10.54	-2.7	45.2	-17.3
Gl Value I	GL	EQ	LUX	01/25	USD	11.55	-2.5	46.9	-16.3
Greater China A	AS	EQ	LUX	01/25	USD	37.83	-5.5	62.7	-12.6
Greater China B	AS	EQ	LUX	01/25	USD	33.46	-5.5	61.1	-13.5
Greater China C	AS	EQ	LUX	01/25	USD	37.34	-5.5	61.9	-13.0
India Growth A	OT	OT	LUX	01/25	USD	123.82	-2.4	NS	NS
India Growth AX	OT	OT	LUX	01/25	USD	108.25	-2.4	101.5	-6.3
India Growth B	OT	OT	LUX	01/25	USD	129.62	-2.5	NS	NS
India Growth BX	OT	OT	LUX	01/25	USD	92.47	-2.5	99.5	-7.2
India Growth I	EA	EQ	LUX	01/25	USD	112.22	-2.4	102.3	-5.9
Int'l Health Care A	OT	EQ	LUX	01/25	USD	138.34	0.6	20.4	-4.7
Int'l Health Care B	OT	EQ	LUX	01/25	USD	116.61	0.6	19.2	-5.7
Int'l Health Care C	OT	EQ	LUX	01/25	USD	132.55	0.6	19.9	-5.2
Int'l Health Care I	OT	EQ	LUX	01/25	USD	151.23	0.7	21.4	-4.0
Int'l Technology A	OT	EQ	LUX	01/25	USD	105.49	-4.4	50.8	-6.3
Int'l Technology B	OT	EQ	LUX	01/25	USD	91.35	-4.5	49.3	-7.2
Int'l Technology C	OT	EQ	LUX	01/25	USD	101.92	-4.4	50.2	-6.7
Int'l Technology I	OT	EQ	LUX	01/25	USD	118.35	-4.4	52.0	-5.6
Japan Eq Blend A	JP	EQ	LUX	01/25	JPY	6178.00	2.6	30.5	-17.0
Japan Eq Blend B	JP	EQ	LUX	01/25	JPY	5957.00	2.5	29.2	-17.9
Japan Eq Blend C	JP	EQ	LUX	01/25	JPY	6077.00	2.5	29.9	-17.4
Japan Growth A	JP	EQ	LUX	01/25	JPY	5912.00	0.6	20.3	-18.1
Japan Growth B	JP	EQ	LUX	01/25	JPY	5700.00	0.6	19.1	-18.9
Japan Growth C	JP	EQ	LUX	01/25	JPY	5816.00	0.6	19.8	-18.4
Japan Strat Value A	JP	EQ	LUX	01/25	JPY	6386.00	4.3	40.5	-16.5
Japan Strat Value B	JP	EQ	LUX	01/25	JPY	6164.00	4.3	39.1	-17.4
Japan Strat Value C	JP	EQ	LUX	01/25	JPY	6277.00	4.3	39.8	-16.9
Real Estate Sec. A	OT	EQ	LUX	01/25	USD	13.86	-3.4	48.4	-14.0
Real Estate Sec. B	OT	EQ	LUX	01/25	USD	12.66	-3.5	46.9	-14.9
Real Estate Sec. I	OT	EQ	LUX	01/25	USD	14.90	-3.4	49.4	-13.3
Short Mat Dollar A	US	BD	LUX	01/25	USD	7.30	0.4	11.7	-5.4
Short Mat Dollar A2	US	BD	LUX	01/25	USD	9.86	0.7	11.5	-5.5
Short Mat Dollar AT	US	BD	LUX	01/25	USD	7.31	0.8	11.7	-5.4
Short Mat Dollar B	US	BD	LUX	01/25	USD	7.30	0.4	11.2	-5.8
Short Mat Dollar B2	US	BD	LUX	01/25	USD	9.81	0.7	11.1	-5.9
Short Mat Dollar BT	OT	OT	LUX	01/25	USD	7.32	0.7	NS	-6.1
Short Mat Dollar C	US	BD	LUX	01/25	USD	7.30	0.4	11.2	-5.8
Short Mat Dollar C2	US	BD	LUX	01/25	USD	13.87	0.7	11.1	-5.9
Short Mat Dollar I	US	BD	LUX	01/25	USD	7.30	0.4	12.3	-4.9

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	11/30	USD	1616.75	66.9	72.1	NS

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
CPS-Master Priv Fund	GL	OT	WSM	01/21	USD	100.77	0.8	22.5	21.1

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	11/30	USD	90.86	21.4	24.1	-9.4
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	11/30	SEK	612.68	12.3	10.4	-17.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	11/30	USD	57.51	NS	NS	-33.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Superfund Cayman*	OT	OT	CYM	01/19	USD	44.27	8.6	-47.4	-3.7
Superfund GCT USD*	GL	EQ	LUX	01/19	USD	2393.00	9.0	-34.9	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	01/19	USD	1046.18	8.5	-3.9	5.4
Superfund Green Gold B (SPC)	OT	OT	CYM	01/19	USD	1035.58	10.7	-18.2	2.2
Superfund Q-AG*	OT	OT	AUT	01/19	EUR	6928.00	4.6	NS	3.5

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4

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MARKETS

Confidence, deficit data put U.S. stocks in black

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks moved higher Tuesday as a report showed consumer confidence rose more than expected in January, while the Congressional Budget Office said the federal government budget deficit for 2010 will be slightly smaller than 2009's deficit.

At midday, the Dow Jones Industrial Average was up 56.46 points, or 0.6%, at 10253.32. Earlier in the session, blue chips had been off as much as 41 points. **Travelers** was the measure's best performer, up 3.7% as the insurer's fourth-quarter earnings jumped 60% to its highest quarterly profit since going public in 2002. **American Express** and **Alcoa** were also strong, up more than 2% each.

ABREAST OF THE MARKET

Verizon was the index's worst performer, down 2.5% after the telecom giant reported a fourth-quarter loss as a result of charges related to job cuts in the period. Excluding items, Verizon's earnings met analysts' estimates but its revenue fell short. The results weighed on rival **AT&T**, which fell 0.8%.

The Nasdaq Composite was up 0.4%, while the Standard & Poor's 500-share index rose 0.3%, with gains across its financial, consumer-discretionary and energy sectors offsetting declines across telecommunications and health care.

In other markets, crude-oil futures and gold futures were down, but their declines were smaller compared with earlier in the session.

Tuesday's action came as the Congressional Budget Office said the federal government budget deficit will reach $1.3 trillion in fiscal 2010, slightly less than the $1.4 trillion it recorded in fiscal 2009.

"For the most part, this has been a pretty good earnings season, but clients, investors, they're concerned or tentative about what's going on in Washington and everyone's afraid to buy into the market ahead of the State of the Union address," said Mike O'Rourke, chief market strategist at BTIG, an institutional broker.

President Barack Obama is to give the address on Wednesday.

European markets

Stocks in Europe closed higher as better-than-expected earnings from **Siemens** and **Novartis** offset concern about China's efforts to slow its economy.

The pan-European Dow Jones Stoxx 600 index closed 0.5% higher at 249.41, breaking a string of four straight losing sessions. The U.K.'s FTSE 100 index rose 0.3% to 5276.85, France's CAC 40 gained 0.7% to 3807.04 and Germany's DAX closed 0.7% higher at 5668.93.

Shares of Novartis gained 2.1% after the company reported a 50% increase in profit. Shares of German conglomerate Siemens rose 5.1% after its fiscal first-quarter profit rose more than expected.

—Sarah Turner in London contributed to this article.

Yields inch lower in Japan; yen in focus

By Takashi Mochizuki

TOKYO—Japanese government-bond yields fell Tuesday on speculation that the recently strengthening yen may force the Bank of Japan to take additional easing measures in the months ahead, though the bank made no changes in policy at January's meeting.

Trading closed before Standard & Poor's Ratings Services said it might downgrade Japan's government debt, saying the government isn't fixing the nation's finances as quickly as expected.

BOND MARKETS

Investors were focused on the outlook for the yen and the dollar.

"A strong yen, if persistent, worsens Japan's deflation by pushing import prices lower. That will in turn become another pressure on the BOJ to ease its policy further again," said Makoto Noji, a senior market analyst at Mizuho Securities.

The yield on two-year Japanese government bonds closed unchanged at 0.155%, while the five-year declined by 0.015 percentage point to 0.500%. The 10-year yield also declined by 0.015 percentage point to 1.320%, and the 20-year dropped by 0.015 percentage point to 2.115%.

In after-market trading, 10-year Japanese government bond futures slipped lower, but analysts said the market impact of the S&P move was likely to be limited.

Two-year note auction sends Treasurys down

By Min Zeng

NEW YORK—Treasurys gave up gains Tuesday in the face of a two-year note auction and a report showing U.S. consumers turned more upbeat on the economic outlook.

The two-year note came in at a yield of 0.88%, compared with the 0.872% just before the 1 p.m. auction. The bid-to-cover ratio was 3.13, compared with 2.91 in December and 3.16 in November. The average was 3.23 from the past four auctions.

U.S. CREDIT MARKETS

The indirect bid, a proxy for demand from foreign buyers including central banks, was 43%, compared with 34.8% in December and 44.5% in Nov. The average was 42.3% for the last four auctions.

The direct bid, a category of bids from non-primary dealers, banks, money managers and depository institutions who have direct accounts to submit bids to the Treasury auctions, was 11%, compared with 19.5% in December and 4.7% in November.

U.S. stocks had turned up after the consumer confidence report was released, which eased demand for low-risk, low-return Treasurys.

The Conference Board, a private research group, said its index of consumer confidence increased to 55.9 in January from a revised 53.6 in December, which was originally reported as 52.9. The January reading was better than economists' projection of 54.0, according to a survey conducted by Dow Jones Newswires.

The two-year auction had been expected to go well, given uncertainties such as the risks of tightening monetary policy in China and concern about fiscal problems in Greece, which would encourage many investors to "park cash in the two-year maturity."

Early afternoon, the price of the two-year Treasury note was down 1/32 with the yield climbing to 0.828%. Prices and yields move inversely. The 10-year note fell 1/32, or 31 cents per $1,000 invested, to yield 3.632% and the 30-year bond was down 8/32 to yield 4.566%.

Also on traders' minds is the Federal Reserve's first rate-setting meeting this year, starting Tuesday. The Federal Open Market Committee will release a statement Wednesday afternoon on interest-rate decisions as well as the latest outlook for the economy and inflation.

Prices of Treasurys were higher earlier, led by long-dated maturities as concerns over tightening monetary policy in China and sovereign credit ratings in Japan spurred many investors to seek safety in U.S. government securities.

The Treasury market was also supported by President Barack Obama's plan to propose a three-year freeze on spending that accounts for one-sixth of the federal budget. The move to tackle the $1.4 trillion deficit eased some worries over the ballooning budget deficits and rising government debt supply.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
Concentra AE	EU	EQ	DEU	01/26	EUR	49.24	-5.6	43.4	-8.2
Industria AE	EU	EQ	DEU	01/26	EUR	70.40	-1.6	37.3	-12.8
InternRent AE	EU	BD	DEU	01/26	EUR	36.49	3.6	1.6	10.2

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CAM-GTF Limited	AS	EQ	MUS	01/15	USD	286509.90	4.4	107.0	5.9

GAM

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/15	USD	1260.72	1.4	22.4	-7.5
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	01/18	JPY	16277.25	4.8	82.9	8.1
GAM Asia Equity Hedge US	OT	OT	VGB	01/18	USD	302.56	4.2	80.2	5.5
GAM Asia Equity USD	OT	OT	VGB	01/25	USD	626.92	-4.1	76.2	-9.0
GAM Asia-Pacific Eq USD	OT	OT	VGB	01/19	USD	1349.82	5.2	32.1	-11.7
GAM Com Glb Bal EUR Op	US	BA	VGB	01/18	EUR	96.46	2.2	18.0	-6.8
GAM Com Glb Bal USD Op	US	BA	VGB	01/18	USD	130.62	2.2	18.0	-6.8
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/18	EUR	99.65	2.9	27.5	-12.4
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/18	USD	131.18	2.9	27.5	-12.4
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/18	EUR	87.30	2.2	19.7	-10.3
GAM Comp Glb Gr USD Op	US	BA	VGB	01/18	USD	129.91	2.2	19.7	-10.3
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/22	USD	240.75	-3.2	37.5	-7.6
GAM Cross Trading Inc	OT	OT	VGB	01/18	USD	466.75	0.2	NS	NS
GAM Diversity CHF Op	OT	OT	VGB	01/18	CHF	94.64	0.3	3.8	-6.6
GAM Diversity EUR Op	OT	OT	VGB	01/18	EUR	651.02	0.4	4.6	-5.0
GAM Diversity USD 2.5XL	OT	OT	VGB	01/18	USD	78.96	0.9	8.4	NS
GAM Diversity USD Op	OT	OT	VGB	01/18	USD	683.63	0.4	NS	NS
GAM Dvrsty II CHF Op	OT	OT	VGB	01/18	CHF	99.76	0.3	NS	NS
GAM Dvrsty II EUR Op	OT	OT	VGB	01/18	EUR	139.17	0.3	4.1	-5.1
GAM Dvrsty II USD Op	OT	OT	VGB	01/18	USD	210.79	0.3	NS	-5.4
GAM DvrstyIII EUR Op	OT	OT	VGB	01/18	EUR	115.90	0.3	4.1	-5.3
GAM DvrstyIII USD Op	OT	OT	VGB	01/18	USD	122.35	0.3	4.2	-5.4
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	01/18	EUR	221.34	1.2	10.8	-3.1
GAM Euro Eq Hdg USD Op	OT	OT	VGB	01/18	USD	205.57	1.1	11.6	-1.5
GAM European Equity USD	OT	OT	VGB	01/22	USD	284.24	-3.1	40.6	-9.6
GAM GAMCO	OT	EQ	VGB	01/19	USD	835.19	3.0	46.0	-6.5
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	01/18	EUR	98.42	0.6	14.2	-16.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	01/18	USD	103.80	0.6	14.8	-16.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	01/18	USD	261.83	4.8	28.4	-4.9
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	01/18	USD	299.67	4.5	120.9	24.0
GAM Intrst Trend II	GL	BD	VGB	01/18	USD	101.98	8.3	50.3	-5.9
GAM Intrst Trend Inc	OT	OT	VGB	01/18	USD	272.16	8.2	62.5	-3.5
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	01/18	EUR	127.11	8.9	13.8	-1.2
GAM Japan Eq Hdg USD Op	OT	OT	VGB	01/18	USD	132.25	8.4	NS	NS
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	01/18	JPY	9104.39	8.3	17.9	-13.0
GAM Japan USD	JP	EQ	VGB	01/25	USD	1174.55	6.5	25.8	-11.7
GAM Japan YEN	JP	EQ	VGB	01/25	JPY	9283.23	5.2	30.5	-17.4
GAM Money Mkt EuroOp	EU	MM	VGB	01/22	EUR	51.15	0.1	0.2	1.6
GAM Money Mkt USD	US	MM	VGB	01/22	USD	100.00	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/18	EUR	112.02	0.7	-0.1	-9.0
GAM Multi-Arb USD Op	OT	OT	VGB	01/18	USD	116.95	0.8	0.1	-9.3
GAM Multi-China EUR Op	OT	OT	VGB	01/18	EUR	170.82	1.7	14.5	-5.4
GAM Multi-China USD Op	OT	OT	VGB	01/18	USD	179.57	1.7	15.1	-6.2
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/18	GBP	133.88	1.8	26.2	-1.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/18	USD	662.56	1.8	26.2	-1.6
GAM Multi-Eur EUR Op	OT	OT	VGB	01/18	EUR	271.20	0.9	7.7	-8.1
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/18	EUR	139.54	0.9	7.6	-8.2
GAM Multi-Eur II USD Op	OT	OT	VGB	01/18	USD	114.03	0.8	7.2	-9.2
GAM Multi-Eur USD Op	OT	OT	VGB	01/18	USD	471.70	0.9	7.3	-9.1
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/18	EUR	134.47	0.4	NS	NS
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/18	USD	218.87	0.3	11.6	NS
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/18	EUR	145.11	1.2	6.5	-3.3
GAM Multi-Pac USD Op	OT	OT	VGB	01/18	USD	167.38	1.2	6.5	-3.7
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/15	USD	2721.43	3.2	66.0	10.8
GAM Sing/Malaysia	AS	EQ	VGB	01/25	USD	2490.60	-1.4	62.8	-8.8
GAM Sterling Spe Bd Inc	OT	OT	VGB	01/18	GBP	238.01	3.5	39.8	4.6
GAM Trading EUR Inc	OT	OT	VGB	01/18	EUR	325.76	0.2	5.2	5.6
GAM Trading USD Inc	OT	OT	VGB	01/18	USD	974.91	0.2	5.4	4.9
GAM Trdg II IncEUR Op	OT	OT	VGB	01/18	EUR	139.32	0.2	5.1	5.5
GAM Trdg II IncUSD Op	OT	OT	VGB	01/18	USD	316.56	0.2	5.4	4.9
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/18	EUR	147.04	0.2	4.9	5.2
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/18	USD	154.82	0.2	5.2	4.8
GAM Trdg V IncEUR Op	OT	OT	VGB	01/18	EUR	124.70	0.2	4.9	5.1
GAM Trdg V IncUSD Op	OT	OT	VGB	01/18	USD	129.84	0.2	5.1	4.8
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/18	EUR	157.33	0.2	5.1	5.3
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/18	USD	162.82	0.2	5.2	4.8
GAM USDSpecBondInc	US	BD	VGB	01/18	USD	557.68	5.2	70.5	9.0
GAM Worldwide	GL	EQ	VGB	01/22	USD	2167.98	-2.6	39.4	-6.3
GAMut Investments	OT	OT	VGB	01/20	USD	7685.65	1.4	4.4	8.8

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	01/22	CHF	10.72	-2.9	54.2	-8.0
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	01/22	EUR	11.65	-2.2	59.7	-3.1
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	01/22	GBP	1.52	-3.3	49.3	5.1
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	01/22	USD	12.94	-3.5	73.9	-4.5
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	01/22	EUR	105.29	4.1	25.1	-4.5
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	01/22	EUR	101.90	4.1	25.2	-4.5
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	01/22	EUR	10.77	-2.1	30.4	-5.7
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	01/22	EUR	180.07	-1.6	31.3	-8.3
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	01/22	EUR	164.54	-1.6	31.3	-8.3
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	01/22	USD	15.52	-3.0	42.8	-9.5
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	01/22	USD	14.07	-3.0	42.7	-9.5
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	01/22	USD	5.48	-0.1	44.9	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	01/22	EUR	95.26	8.3	17.1	-3.1
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	01/22	EUR	95.26	8.3	17.1	-3.1
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	01/22	JPY	973.33	5.7	26.4	-12.8
GAMStar-JpnEq USD Acc	JP	EQ	IRL	01/22	USD	11.92	7.3	21.5	-7.1
GAMStar-World EqUSD Acc	GL	EQ	IRL	01/22	USD	2182.02	-2.5	40.4	-5.9

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American Growth	US	EQ	LUX	01/26	USD	14.88	-2.5	30.7	-9.8
American Growth AA	US	EQ	LUX	01/26	USD	0.86	-2.6	30.3	-7.4
Asian Equity	AS	EQ	LUX	01/26	USD	2.29	-6.7	70.2	-9.2
Asian Equity AA	AS	EQ	LUX	01/26	USD	0.74	-6.8	69.5	-9.4
Asian Sm Cap Equity AA	AS	EQ	LUX	01/26	USD	1.12	-3.6	93.9	-3.9
China Value A	AS	EQ	LUX	01/26	USD	6.50	-8.7	63.7	-6.0
China Value AA	AS	EQ	LUX	01/26	USD	2.04	-8.7	63.2	-6.2
Dragon Growth	AS	EQ	LUX	01/26	USD	1.50	-8.5	65.1	-9.8
Dragon Growth AA	OT	OT	LUX	01/26	HKD	7.33	-8.3	65.0	-10.7
Emg Eastrn Europe A	EU	EQ	LUX	01/26	USD	4.61	-0.1	121.6	-14.6
Emg Eastrn Europe AA	EU	EQ	LUX	01/26	USD	1.98	-0.1	121.3	-14.7
European Growth	EU	EQ	LUX	01/26	USD	8.78	-4.1	61.8	-15.6
European Growth AA	EU	EQ	LUX	01/26	USD	0.63	-4.1	61.4	-15.8
Global Contrarain AA	GL	EQ	LUX	01/26	USD	0.89	0.9	95.6	NS
Global Property AA	OT	EQ	LUX	01/26	USD	0.65	-3.5	59.4	-12.7
Global Resources AA	OT	EQ	LUX	01/26	USD	1.03	-4.6	43.7	-12.4
Healthcare AA	OT	EQ	LUX	01/26	USD	0.94	-0.3	17.6	NS
India Equity AA	EA	EQ	LUX	01/26	USD	1.07	-2.7	92.5	-15.7
International Growth	GL	EQ	LUX	01/26	USD	2.98	-2.1	30.6	-13.1
International Growth AA	GL	EQ	LUX	01/26	USD	0.69	-2.2	30.3	-13.3
Japanese Growth	JP	EQ	LUX	01/26	USD	2.82	2.6	21.7	-10.2
Japanese Growth AA	JP	EQ	LUX	01/26	USD	0.74	3.3	22.2	-10.1
Latin America Equity AA	GL	EQ	LUX	01/26	USD	1.21	-6.5	95.4	-2.4
Manulife GF Strategic Income Fund AA	OT	OT	NA	01/26	USD	1.01	0.3	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	01/26	USD	1.10	-3.3	NS	NS
Russia Equity AA	EE	EQ	LUX	01/26	USD	0.65	4.6	163.5	-18.9
Taiwan Equity AA	AS	EQ	LUX	01/26	USD	0.99	-8.2	88.7	2.2
Turkey Equity AA	EE	EQ	LUX	01/26	USD	0.78	1.9	137.4	-4.1
U.S. Bond AA	US	BD	LUX	01/26	USD	1.13	1.7	18.9	7.6
U.S. Sm Cap Equity AA	US	EQ	LUX	01/26	USD	0.82	0.8	74.2	-7.6
U.S. Special Opportunities	OT	OT	LUX	01/26	USD	0.85	4.4	86.6	4.9
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	01/26	USD	1.15	1.0	10.7	2.2

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Indonesian Grth Fund	EA	EQ	CYM	01/20	USD	135.86	6.7	122.6	3.5

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Asia Value Formula Fd-B	AS	EQ	CYM	01/22	USD	7.95	-0.9	99.2	1.4

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Bonds Eur Hi Yld A	OT	OT	LUX	01/22	EUR	21.16	2.8	54.4	3.0
Bonds EURO A	OT	OT	LUX	01/25	EUR	41.22	0.4	6.6	4.6
Bonds EUROPE A	OT	OT	LUX	01/25	EUR	39.39	0.7	6.1	4.1
Bonds US OppsCoreplus A	OT	OT	LUX	01/22	USD	37.45	1.5	16.0	7.7
Bonds World A	OT	OT	LUX	01/25	USD	42.21	0.5	11.4	5.0
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	01/25	USD	10.05	-3.6	80.9	-9.3
Eq. China A	AS	EQ	LUX	01/25	USD	22.39	-7.2	72.1	-11.0
Eq. Concentrated Euroland A	OT	OT	LUX	01/25	EUR	88.92	-4.3	27.1	-15.5
Eq. ConcentratedEuropeA	EU	EQ	LUX	01/22	EUR	26.57	-1.6	42.3	-12.1
Eq. Emerging Europe A	OT	OT	LUX	01/25	EUR	24.55	4.2	104.5	-19.5
Eq. Euroland A	EU	EQ	LUX	01/25	EUR	10.39	-4.1	26.0	-16.3
Eq. Euroland Small Cap A	OT	OT	LUX	01/25	EUR	142.53	1.0	49.3	-4.5
Eq. EurolandCyclclsA	EU	EQ	LUX	01/25	EUR	17.41	-2.2	39.2	-10.9
Eq. EurolandFinancialA	OT	EQ	LUX	01/25	EUR	10.75	-5.0	57.4	-18.2
Eq. Glbl Emg Cty A	GL	EQ	LUX	01/25	USD	9.15	-5.5	74.0	-13.3
Eq. Global A	GL	EQ	LUX	01/25	USD	27.23	-2.2	41.1	-10.4
Eq. Global Energy A	OT	EQ	LUX	01/22	USD	17.75	-2.1	34.1	-8.5
Eq. Global Resources A	OT	OT	LUX	01/25	USD	104.34	-4.4	48.6	-10.8
Eq. Gold Mines A	OT	EQ	LUX	01/25	USD	28.44	-6.1	36.8	-6.4
Eq. India A	OT	OT	LUX	01/25	USD	127.25	-2.7	91.6	-15.8
Eq. Japan CoreAlpha A	OT	OT	LUX	01/25	JPY	7709.01	6.3	41.8	-6.8
Eq. Latin America A	OT	OT	LUX	01/25	USD	108.19	-6.9	79.6	-9.1
Eq. US Lg Cap Gr A	US	EQ	LUX	01/25	USD	14.90	-2.3	40.7	-7.9
Eq. US Rel Val A	US	EQ	LUX	01/25	USD	20.31	-1.4	38.3	-11.8
Eq. US Sm Cap Val A	US	EQ	LUX	01/25	USD	15.64	-1.9	33.9	-16.2
Money Market EURO A	EU	MM	LUX	01/25	EUR	27.40	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	01/22	USD	15.83	0.0	0.4	1.6

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TNI Mena Real Estate Fund	OT	OT	BMU	01/21	USD	942.77	-1.9	1.9	-30.0
TNI MENA Special Sits Fund	OT	OT	BMU	12/31	USD	1079.31	11.2	11.2	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/21	AED	5.04	-5.5	13.6	-35.5

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Intel-Chin MainInd Foc	AS	EQ	CYM	01/15	USD	30.29	1.5	99.7	5.9
Intel-China Converg*	AS	EQ	CYM	01/15	USD	115.18	1.0	99.9	4.9
VP Classic - A	AS	EQ	CYM	01/25	USD	181.82	-2.5	97.8	3.7
VP CLassic - B	AS	EQ	CYM	01/25	USD	84.72	-2.5	88.6	3.2
VP High Dividend Stk	AS	EQ	CYM	01/18	USD	46.37	2.1	87.8	1.5

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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	01/26	JPY	9346.00	-1.2	22.6	-20.2
YMR-N Small Cap Fund	OT	OT	IRL	01/26	JPY	6880.00	-1.9	18.0	-19.2

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	01/26	JPY	6063.00	-1.4	15.8	-22.9
Yuki 77 Growth	JP	EQ	IRL	01/26	JPY	5547.00	-1.7	8.7	-27.6

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	01/26	JPY	6774.00	-0.8	22.3	-18.9
Yuki Chugoku JpnLowP	JP	EQ	IRL	01/26	JPY	7612.00	0.9	5.8	-18.8

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	01/26	JPY	4640.00	-0.7	15.5	-23.0
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	01/26	JPY	5250.00	0.0	10.2	-17.2
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	01/26	JPY	5007.00	-1.9	16.1	-18.2

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	01/26	JPY	4339.00	-1.8	18.3	-27.0
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	01/26	JPY	4582.00	-1.8	18.2	-26.8
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	01/26	JPY	6851.00	-1.7	29.1	-21.4
Yuki Mizuho Jpn Gen	OT	OT	IRL	01/26	JPY	8461.00	-1.8	23.4	-20.8
Yuki Mizuho Jpn Gro	OT	OT	IRL	01/26	JPY	6244.00	-1.8	13.1	-23.6
Yuki Mizuho Jpn Inc	OT	OT	IRL	01/26	JPY	7624.00	-0.1	5.3	-19.8
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	01/26	JPY	5159.00	-0.6	20.6	-21.2
Yuki Mizuho Jpn LowP	OT	OT	IRL	01/26	JPY	11444.00	-1.0	15.2	-15.5
Yuki Mizuho Jpn PGth	OT	OT	IRL	01/26	JPY	7779.00	-2.3	16.9	-26.0
Yuki Mizuho Jpn SmCp	OT	OT	IRL	01/26	JPY	6994.00	-2.0	24.7	-19.3
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	01/26	JPY	5596.00	-0.9	20.0	-18.2
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	01/26	JPY	2733.00	0.3	21.6	-25.5

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	01/26	JPY	5346.00	-1.4	22.5	-20.2

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Turkey	0.14%	2.0%	103.0%
Japan	-2.14	1.2	16.1
Netherlands	0.38	-0.6%	38.5
Sweden	-0.80	-0.9	58.1
Switzerland	0.10	-1.9	29.3
Russia	-2.49	-2.3	114.8
U.K.	-0.08	-2.8	25.3
Australia	unch.	-3.0	36.9
South Africa	-1.72	-3.4	23.0
Italy	-0.15	-3.7	29.0
Spain	0.77	-3.7	23.4
South Korea	-2.14	-3.8	53.4
France	0.27	-4.0	29.8
Canada	-0.14	-4.7	26.2
Germany	0.36	-5.1	24.9
Singapore	-2.54	-5.7	64.3
Hong Kong	-2.71	-8.2	54.8
China 88	-2.02	-9.8	49.4
Brazil	-1.87	-10.9	88.2

Dow Jones Regional Sector Titans

Travel Leisure	-0.08%	3.4%	28.2%
EU Enlarged†-p	0.97	3.0	52.7
Pers H'hold Gds	-0.31	1.4	29.1
Asian 50	-1.87	-0.2%	40.6
Arab 50	-1.10	-0.2	23.2
Nordic 30 -p	-0.45	-0.4	37.6
Global 50	-0.23	-2.9	27.4
Stoxx 50 -p	-0.93	-3.3	27.3
Euro Stoxx 50 -p	-1.04	-5.3	26.1
Tiger 50*	-2.53	-6.4	69.8

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Tuesday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Japan Tobacco	Japan	Tobacco	$34.8	325,000	0.93%	25.7%	-43.6%
Hutchison Whampoa	Hong Kong	Diversified Industrials	30.2	55.00	0.18	49.7	-30.6
Takeda Pharm	Japan	Pharmaceuticals	35.2	4,000	0.13	-7.2	-49.4
Shinhan Financial Grp	South Korea	Banks	16.5	40,450	0.12	64.1	-16.1
Aus NZ Bk	Australia	Banks	50.0	22.29	unch.	79.8	-23.9
KDDI	Japan	Mobile Telecommunications	$23.8	482,500	-8.62%	-19.3	-44.4
Panasonic	Japan	Consumer Electronics	33.6	1,455	-5.27	28.8	-39.4
Sony	Japan	Consumer Electronics	33.3	3,000	-4.76	63.8	-46.7
China Life Ins	Hong Kong	Life Insurance	32.4	33.85	-3.97	70.1	43.4
CNOOC	Hong Kong	Exploration Production	63.4	11.04	-3.50	69.9	64.8

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
BHP Billiton Australia (General Mining)	124.0	41.25	Closed	40.6%	58.7%
Commonwlth Bk of Aus Australia (Banks)	75.0	55.15	Closed	122.9	9.5
National Australia Bk Australia (Banks)	49.8	26.54	Closed	53.3	-34.2
QBE Ins Grp Australia (Reinsurance)	21.0	22.91	Closed	-3.3	-27.2
RioZim Ltd Australia (General Mining)	39.9	73.34	Closed	120.3	22.5
Westpac Bking Australia (Banks)	65.0	24.92	Closed	68.2	-0.1
Woodside Petroleum Australia (Exploration Production)	28.3	44.00	Closed	27.0	17.9
Woolworths Australia (Food Retailers Wholesalers)	30.3	27.48	Closed	4.9	16.2
Westfield Grp Australia (Retail REITs)	25.5	12.35	Closed	2.1	-44.7
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	48.5	60.10	-0.50%	50.3	-10.3
Nintendo Japan (Toys)	36.4	25,530	-0.51	-16.3	-26.7
Shin-Etsu Chml Japan (Specialty Chemicals)	22.9	4,830	-0.51	16.4	-38.9
NTT DoCoMo Japan (Mobile Telecommunications)	64.0	137,500	-0.72	-14.1	-25.7
Kansai Elec Power Japan (Conventional Electricity)	22.2	2,090	-1.18	-14.2	-39.6
East Japan Railway Japan (Travel Tourism)	27.1	6,140	-1.29	-5.7	-27.2
Mitsubishi Japan (Industrial Suppliers)	40.9	2,233	-1.50	77.9	-7.7
Canon Japan (Electronic Office Equipment)	51.2	3,720	-1.59	44.2	-41.8
KB Fncl Group South Korea (Banks)	17.1	51,800	-1.71	67.0	-28.1
China Mobile (HK) Hong Kong (Mobile Telecommunications)	188.7	73.80	-1.73	7.8	-0.3
Tokyo Elec Power Japan (Conventional Electricity)	36.5	2,422	-1.78	-15.9	-41.4

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Nissan Motor Japan (Automobiles)	33.0	727.00	-1.89%	149.0%	-52.7%
Cheung Kong Hong Kong (Real Estate Holding Development)	28.2	94.60	-1.92	39.8	-7.9
JFE Hldgs Japan (Iron Steel)	19.3	3,270	-1.95	38.0	-51.1
Nippon T&T Japan (Fixed Line Telecommunications)	57.0	3,865	-2.15	-18.5	-36.6
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	36.3	136.50	-2.15	166.1	-7.0
Nippon Steel Japan (Iron Steel)	24.9	355.00	-2.20	28.6	-49.6
Tokio Marine Hldgs Japan (Property Casualty Insurance)	22.0	2,510	-2.26	4.8	-41.9
Toyota Motor Japan (Automobiles)	135.9	3,870	-2.52	29.9	-51.9
POSCO South Korea (Iron Steel)	37.3	572,000	-2.56	68.0	74.1
Mitsui Japan (Industrial Suppliers)	27.3	1,350	-2.60	43.3	-29.9
PetroChina Hong Kong (Integrated Oil Gas)	24.0	8.86	-2.64	58.8	-7.7
Mizuho Financial Grp Japan (Banks)	28.7	183.00	-2.66	-20.4	-79.2
Honda Motor Japan (Automobiles)	63.0	3,090	-2.68	45.4	-35.8
Seven I Hldgs Japan (Broadline Retailers)	19.4	1,925	-2.83	-25.0	-47.3
China Constr Bk Hong Kong (Banks)	172.0	5.95	-2.94	61.3	26.6
Sumitomo Mitsui Finl Japan (Banks)	32.7	2,910	-3.00	-12.4	-76.3
Mitsubishi UFJ Finl Japan (Banks)	73.2	472.00	-3.08	-5.0	-67.7
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	33.9	102.80	-3.20	57.0	7.1
Samsung Elec South Korea (Semiconductors)	103.4	815,000	-3.21	84.4	39.8
Indl Comm Bk China Hong Kong (Banks)	59.9	5.61	-3.44	73.2	22.5

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.00%	0.57%	1.4%	0.0%	6.1%
Event Driven	-0.17	1.25	2.6	0.8	14.8
Equity Long/Short	-1.58	0.84	0.5	0.4	3.2

*Estimates as of 01/22/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

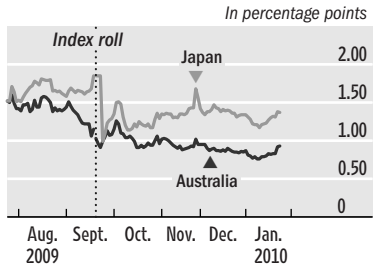
Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.83	100.78%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.20	99.09	0.01	1.76	0.92	1.31
Europe Crossover: 12/1	4.59	101.61	0.05	6.15	3.79	4.99
Asia ex-Japan IG: 12/1	1.05	99.79	0.01	1.29	0.87	1.04
Japan: 12/1	1.37	98.24	0.01	1.68	0.99	1.32

Note: Data as of January 25

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points



Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Rep Indonesia	201	-9	8	7
All Nippon Awys	298	-8	5	–22
Nishimatsu Constr	539	-8	–13	–5
Kajima	364	-8	13	25
Socialist Rep Vietnam	259	-7	21	22
Rep Philippines	186	-6	16	17
Kookmin Bk	114	-6	14	18
Korea Dev Bk	112	-6	17	18
Expt Import Bk Korea	111	-6	16	17
Woori Bk	133	-5	15	17

And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Promise	642	5	67	–159
Nippon Yusen Kabushiki Kaisha	103	5	8	–26
Nippon Paper Inds	95	6	11	5
Norinchukin Bk	91	6	8	9
Nippon Sheet Glass	195	6	11	–10
Citic Pac	133	6	3	–11
Sapporo Hldgs	146	7	5	...
Kawasaki Heavy Inds	152	9	21	2
Mizuho Corporate Bk	124	10	18	19
Mazda Mtr	208	13	13	2

Source: Markit Group

Behind Asia's deals: Bank revenue rankings, Asia

Behind every IPO, bond offering, merger deal or syndicated loan is one or more investment banks. Here are investment banks ranked by year-to-date revenues from recent deals.

	Revenue, in millions	Market share	PERCENTAGE OF TOTAL REVENUE Equity capital markets	Debt capital markets	Mergers & acquisitions	Loans
Nomura	$1,366	13.8%	73%	16%	12%	...
Daiwa Securities SMBC Co Ltd	626	6.3	66	25	9	...
Mizuho	523	5.3	35	44	11	11%
Morgan Stanley	508	5.1	74	11	15	...
Mitsubishi UFJ Securities	473	4.8	45	37	8	10
UBS	446	4.5	65	13	23	...
JPMorgan	406	4.1	77	8	14	1
Goldman Sachs	398	4.0	75	10	15	...
Credit Suisse	290	2.9	64	12	23	1

Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	366.00	-1.75	-0.48%	712.25	315.50
Soybeans (cents/bu.)	CBOT	940.75	0.25	0.03%	1,560.00	805.00
Wheat (cents/bu.)	CBOT	496.00	-2.25	-0.45	1,029.25	459.00
Live cattle (cents/lb.)	CME	90.175	-0.375	-0.41	95.175	85.050
Cocoa ($/ton)	ICE-US	3,341	-65	-1.91	3,510	1,994
Coffee (cents/lb.)	ICE-US	137.85	-1.55	-1.11	188.65	115.00
Sugar (cents/lb.)	ICE-US	29.81	0.01	0.03	30.10	11.91
Cotton (cents/lb.)	ICE-US	70.09	0.13	0.19	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	2,407.00	-62	-2.51	2,743	2,150
Cocoa (pounds/ton)	LIFFE	2,300	-24	-1.03	2,350	1,310
Robusta coffee ($/ton)	LIFFE	1,349	-15	-1.10	1,710	1,300
Copper (cents/lb.)	COMEX	334.20	-5.10	-1.50	365.00	135.50
Gold ($/troy oz.)	COMEX	1093.00	-2.20	-0.20	1,229.00	785.10
Silver (cents/troy oz.)	COMEX	1659.50	-55.00	-3.21	2,011.50	1,045.00
Aluminum ($/ton)	LME	2,216.00	-30.00	-1.34	2,356.50	1,288.00
Tin ($/ton)	LME	17,750.00	-45.00	-0.25	18,250.00	9,945.00
Copper ($/ton)	LME	7,330.00	-95.00	-1.28	7,695.00	3,145.00
Lead ($/ton)	LME	2,192.00	-58.00	-2.58	2,615.00	995.00
Zinc ($/ton)	LME	2,326.50	-17.00	-0.73	2,659.00	1,086.00
Nickel ($/ton)	LME	18,295	-105	-0.57	21,150	9,475
Crude oil ($/bbl.)	NYMEX	74.18	-1.08	-1.44	141.30	48.78
Heating oil ($/gal.)	NYMEX	1.9550	-0.0200	-1.01	3.5280	1.3800
RBOB gasoline ($/gal.)	NYMEX	1.9883	-0.0193	-0.96	2.2003	1.2176
Natural gas ($/mmBtu)	NYMEX	5.505	-0.158	-2.79	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	73.24	-0.45	-0.61	98.10	49.10
Gas oil ($/ton)	ICE-EU	602.50	0.75	0.12	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Jan. 26

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.3543	0.1868	3.8090	0.2625
Brazil real	2.5914	0.3859	1.8435	0.5424
Canada dollar	1.4943	0.6692	1.0630	0.9407
1-mo. forward	1.4943	0.6692	1.0630	0.9407
3-mos. forward	1.4944	0.6692	1.0631	0.9407
6-mos. forward	1.4946	0.6691	1.0632	0.9405
Chile peso	720.91	0.001387	512.85	0.001950
Colombia peso	2777.35	0.0003601	1975.78	0.0005061
Ecuador US dollar-f	1.4057	0.7114	1	1
Mexico peso-a	18.1280	0.0552	12.8961	0.0775
Peru sol	4.0126	0.2492	2.8545	0.3503
Uruguay peso-e	27.481	0.0364	19.550	0.0512
U.S. dollar	1.4057	0.7114	1	1
Venezuela bolivar	6.04	0.165645	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5640	0.6394	1.1126	0.8988
China yuan	9.5965	0.1042	6.8269	0.1465
Hong Kong dollar	10.9281	0.0915	7.7742	0.1286
India rupee	64.4584	0.0155	45.8550	0.0218
Indonesia rupiah	13185	0.0000758	9380	0.0001066
Japan yen	125.83	0.007947	89.52	0.011171
1-mo. forward	125.82	0.007948	89.51	0.011172
3-mos. forward	125.78	0.007950	89.48	0.011176
6-mos. forward	125.70	0.007956	89.42	0.011183
Malaysia ringgit-c	4.8110	0.2079	3.4225	0.2922
New Zealand dollar	1.9897	0.5026	1.4154	0.7065
Pakistan rupee	118.641	0.0084	84.400	0.0118
Philippines peso	65.470	0.0153	46.575	0.0215
Singapore dollar	1.9733	0.5068	1.4038	0.7124
South Korea won	1635.11	0.0006116	1163.20	0.0008597
Taiwan dollar	45.053	0.02220	32.050	0.03120
Thailand baht	46.465	0.02152	33.055	0.03025

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7114	1.4057
1-mo. forward	1.0001	0.9999	0.7114	1.4056
3-mos. forward	1.0002	0.9998	0.7115	1.4054
6-mos. forward	1.0007	0.9993	0.7119	1.4047
Czech Rep. koruna-b	26.102	0.0383	18.569	0.0539
Denmark krone	7.4446	0.1343	5.2960	0.1888
Hungary forint	272.07	0.003675	193.55	0.005167
Norway krone	8.2405	0.1214	5.8622	0.1706
Poland zloty	4.0930	0.2443	2.9117	0.3434
Russia ruble-d	42.690	0.02342	30.369	0.03293
Sweden krona	10.2508	0.0976	7.2923	0.1371
Switzerland franc	1.4726	0.6791	1.0476	0.9546
1-mo. forward	1.4724	0.6792	1.0474	0.9547
3-mos. forward	1.4718	0.6794	1.0471	0.9551
6-mos. forward	1.4709	0.6799	1.0464	0.9557
Turkey lira	2.0999	0.4762	1.4939	0.6694
U.K. pound	0.8704	1.1489	0.6192	1.6150
1-mo. forward	0.8706	1.1487	0.6193	1.6147
3-mos. forward	0.8709	1.1482	0.6196	1.6140
6-mos. forward	0.8716	1.1473	0.6200	1.6128
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5299	1.8870	0.3770	2.6526
Egypt pound-a	7.6723	0.1303	5.4580	0.1832
Israel shekel	5.2323	0.1911	3.7222	0.2687
Jordan dinar	0.9893	1.0109	0.7038	1.4210
Kuwait dinar	0.4033	2.4797	0.2869	3.4857
Lebanon pound	2110.66	0.0004738	1501.50	0.0006660
Saudi Arabia riyal	5.2714	0.1897	3.7501	0.2667
South Africa rand	10.6826	0.0936	7.5995	0.1316
United Arab dirham	5.1631	0.1937	3.6730	0.2723
SDR -f	0.9011	1.1098	0.6410	1.5600

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
53	**ASIA-PACIFIC**	**DJ Asia-Pacific**	122.28	-2.00	-1.61%	-0.6%	39.9%
...	Australia	**SPX/ASX 200**	4717.86		Closed	-3.1	37.0
...	China	**CBN 600**	26653.67	-741.23	-2.71	-8.3	60.1
19	Hong Kong	**Hang Seng**	20109.33	-489.22	-2.38	-8.1	59.9
19	India	**Sensex**	16780.46		Closed	-3.9	86.4
...	Indonesia	**Jakarta Composite**	2578.415	-19.445	-0.75	1.7	92.9
...	Japan	**Nikkei Stock Average**	10325.28	-187.41	-1.78	-2.1	28.1
...		**Topix**	916.40	-18.19	-1.95	1.0	13.8
...	Malaysia	**Kuala Lumpur Composite**	1283.02	-13.77	-1.06	0.8	47.0
...	New Zealand	**NZSX-50**	3209.063	20.406	0.64%	-0.7	17.3
9	Pakistan	**KSE 100**	9666.48	-22.72	-0.23	3.0	94.4
14	Philippines	**Manila Composite**	2955.70	-12.26	-0.41	-3.2	57.2
...	Singapore	**Straits Times**	2740.33	-71.38	-2.54	-5.4	62.6
11	South Korea	**Kospi**	1637.34	-32.86	-1.97	-2.7	49.7
20	Taiwan	**Weighted**	7598.81	-274.18	-3.48	-7.2	78.9
10	Thailand	**SET**	701.66	-8.73	-1.23	-4.5	57.8
50	**EUROPE**	**DJ Stoxx 600**	249.28	0.99	0.40	-1.5	32.4
22		**DJ Stoxx 50**	2515.19	15.97	0.64	-2.5	28.1
62	**Euro Zone**	**DJ Euro Stoxx**	265.57	1.23	0.47%	-3.4%	29.3%
20		**DJ Euro Stoxx 50**	2828.27	20.97	0.75	-4.7	27.1
19	Denmark	**OMX Copenhagen**	327.02	-0.74	-0.23%	3.6	40.7
21	Finland	**OMX Helsinki**	6450.55	-44.45	-0.68	-0.1	27.4
19	France	**CAC-40**	3807.04	25.19	0.67	-3.3	28.9
20	Germany	**DAX**	5668.93	37.56	0.67	-4.8	31.1
15	Italy	**FTSE MIB**	22407.71	34.62	0.15	-3.6	26.3
...	Netherlands	**AEX**	329.65	1.14	0.35	-1.7	32.6
...	Russia	**RTSI**	1444.33	-41.59	-2.80	1.2	164.0
11	Spain	**IBEX 35**	11347.3	98.0	0.87	-5.0	35.9
14	Switzerland	**SMI**	6484.23	32.93	0.51	-0.9	21.2
...	Turkey	**ISE National 100**	54317.48	36.48	0.07	2.8	110.5
15	U.K.	**FTSE 100**	5276.85	16.54	0.31	-2.5	25.8
21	**AMERICAS**	**DJ Americas**	290.19	-0.50	-0.17	-2.1	36.4
...	Brazil	**Bovespa**	65217.66			-4.9	68.4
...	Argentina	**Merval**	2313.46	-7.74	-0.33	-0.3	115.0
19	Mexico	**IPC**	30552.82	87.76	0.29	-4.9	55.1

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.17%	22	**DJ Global Index**	221.82	-1.45	-0.65%	-2.3%	38.8%	-7.3%
		Global DOW	1917.05	-12.08	-0.63	-3.4	37.4	-3.8
2.35		**Asia/Pacific 600**	116.13	-1.53	-1.30	1.3	29.8	-7.7
1.74	15	**Emerging Markets**	266.04	-5.82	-2.14	-5.0	81.8	1.9
2.12	53	**Asia/Pacific**	122.28	-2.00	-1.61	-0.6	39.9	-5.9
2.42	17	**Asia/Pacific ex-Japan**	301.04	-5.85	-1.90	-4.6	80.3	-0.7
2.56	23	**Southeast Asia**	152.91	-4.65	-2.95	-5.0	81.9	0.3
0.89	27	**CBN China 600** -c	26653.67	-741.23	-2.71	-8.3	60.1	11.4
0.91	30	**Shanghai**	358.83	-10.09	-2.74	-7.4	60.3	11.9
0.61	43	**Shenzhen**	384.25	-12.83	-3.23	-7.7	81.3	17.9
2.41	18	**China Offshore 50**	3684.09	-134.60	-3.52	-9.7	63.7	4.3
7.71	9	**Australia LPT** -c, d	1118.27	0.00	0.00	-3.8	12.8	-23.0
2.11%	15	**Islamic Market**	1934.49	-8.62	-0.44%	-2.0%	36.8%	-2.3%
2.40	16	**Islamic Market 100**	2074.35	-11.18	-0.54	-2.2	25.0	-3.1
9.47	16	**Bahrain**	123.06	-0.22	-0.18	1.1	-13.8	-12.9
2.94	38	**Kuwait**	190.75	-0.80	-0.42	-2.0	6.1	-16.4
2.64	20	**Sustainability**	977.40	-9.40	-0.95	-3.5	38.7	-8.3
2.72	50	**Stoxx 600 -p**	262.50	-1.21	-0.46	-3.5	42.3	-10.3
4.74	17	**Stoxx Select Div 30 -p**	1744.70	-6.01	-0.34	-2.9	42.8	-22.0
3.98	23	**Euro Stoxx Sel Div 30 -p**	2070.26	-7.94	-0.38	-2.7	48.8	-17.7
1.75	30	**DJ U.S. TSM**	11332.08	0.53	0.00	-1.4	32.9	-7.6
4.25	15	**U.S. Select Dividend -d**	641.29	-1.78	-0.28	-1.4	25.5	-10.5
4.87		**U.S. REIT**	139.01	-1.10	-0.79	-4.4	31.9	-21.0
		DJ-UBS Commodity -p	135.11	0.21	0.16	-2.9	18.3	-5.9

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$ 1.113	£ 0.619	C$ 1.063	YUAN 6.827	EURO 0.711	HK$ 7.774	RUPEE 45.855	RUPIAH 9379.98	YEN 89.515	NZ$ 1.415	WON 1163.20	RINGGIT 3.422	PH. PESO 46.575	S$ 1.404	S FRANC 1.048	TW$ 32.050	BAHT 33.055
Australia	0.899		0.557	0.955	6.136	0.639	6.987	41.214	8430.73	80.456	1.272	1045.48	3.076	41.862	1.262	0.942	28.807	29.710
Britain	1.615	1.797		1.717	11.026	1.149	12.556	74.058	15149.14	144.571	2.286	1878.62	5.528	75.221	2.267	1.692	51.762	53.385
Canada	0.941	1.047	0.582		6.422	0.669	7.313	43.137	8824.07	84.210	1.332	1094.26	3.220	43.815	1.321	0.986	30.151	31.096
China	0.1465	0.163	0.091	0.156		0.104	1.139	6.717	1373.98	13.112	0.207	170.39	0.501	6.822	0.206	0.153	4.695	4.842
Euro	1.406	1.564	0.870	1.494	9.597		10.928	64.458	13185.44	125.831	1.990	1635.11	4.811	65.470	1.973	1.473	45.053	46.465
Hong Kong	0.129	0.143	0.080	0.137	0.878	0.092		5.898	1206.56	11.514	0.182	149.62	0.440	5.991	0.181	0.135	4.123	4.252
India	0.0218	0.0243	0.0135	0.0232	0.1489	0.0155	0.1695		204.56	1.9521	0.0309	25.37	0.0746	1.0157	0.0306	0.0228	0.6989	0.7209
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0095	0.0002	0.12	0.0004	0.0050	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.076	0.008	0.087	0.512	104.79		0.016	12.99	0.038	0.520	0.016	0.012	0.358	0.369
New Zealand	0.707	0.786	0.437	0.751	4.823	0.503	5.492	32.397	6626.96	63.242		821.80	2.418	32.905	0.992	0.740	22.643	23.353
South Korea	0.0009	0.0010	0.0005	0.0009	0.0059	0.0006	0.0067	0.0394	8.06	0.0770	0.0012		0.0029	0.0400	0.0012	0.0009	0.0276	0.0284
Malaysia	0.292	0.325	0.181	0.311	1.995	0.208	2.271	13.398	2740.68	26.155	0.414	339.87		13.608	0.410	0.306	9.364	9.658
Philippines	0.021	0.024	0.013	0.023	0.147	0.015	0.167	0.985	201.40	1.922	0.030	24.97	0.073		0.030	0.022	0.688	0.710
Singapore	0.712	0.793	0.441	0.757	4.863	0.507	5.538	32.665	6681.85	63.766	1.008	828.61	2.438	33.178		0.746	22.831	23.547
Switzerland	0.955	1.062	0.591	1.015	6.517	0.679	7.421	43.771	8953.78	85.448	1.351	1110.34	3.267	44.459	1.340		30.594	31.553
Taiwan	0.031	0.035	0.019	0.033	0.213	0.022	0.243	1.431	292.67	2.793	0.044	36.29	0.107	1.453	0.044	0.033		1.031
Thailand	0.030	0.034	0.019	0.032	0.207	0.022	0.235	1.387	283.77	2.708	0.043	35.19	0.104	1.409	0.042	0.032	0.970	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of January. 26, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	27	**ALL COUNTRY (AC) WORLD***	293.89	-0.13%	n.a.	29.1%
2.40	28	**World (Developed Markets)**	1,148.99	-0.08	n.a.	24.9
1.80	117	**World Small Cap**	190.51	0.11	n.a.	41.9
2.50	23	**Kokusai (World ex-Japan)**	1,130.22	-0.00	n.a.	26.7
2.90	28	**EAFE**	1,556.99	-0.57	n.a.	25.8
2.00	20	**Emerging Markets (EM)**	959.06	-0.50	n.a.	69.1
2.40	24	**AC ASIA PACIFIC EX-JAPAN**	404.57	-0.66	n.a.	63.6
2.00	24	**AC Far East ex-Japan**	436.23	-0.48	n.a.	60.0
1.70	35	**Japan**	585.63	-0.69	n.a.	10.5
1.90	21	**China**	61.41	-0.84	n.a.	50.5
0.80	40	**China A (China Domestic)**	3,170.65	-1.27	n.a.	82.8
2.60	24	**Hong Kong**	9,775.89	0.12	n.a.	49.1
0.90	21	**India**	681.06	-1.00	n.a.	84.5
1.00	17	**Korea**	476.08	-0.55	n.a.	55.1
2.40	20	**Malaysia**	477.36	-0.23	n.a.	48.6
2.90	18	**Singapore**	1,567.85	-0.29	n.a.	57.3
2.50	248	**Taiwan**	283.34	-0.53	n.a.	63.4
2.90	19	**Thailand**	288.90	-0.82	n.a.	56.1
3.70	26	**Australia**	971.85	-0.80	n.a.	27.0
5.20	16	**New Zealand**	85.39	0.11	n.a.	12.5
1.80	33	**US BROAD MARKET**	1,219.86	0.41	n.a.	24.2
3.20	18	**EUROPE**	86.17	-0.69	n.a.	24.1

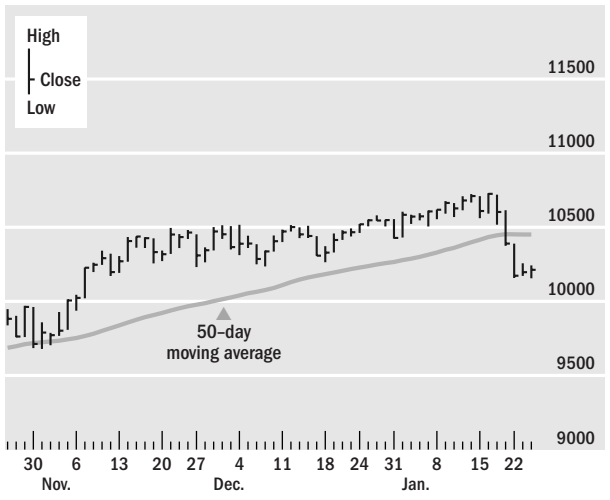
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

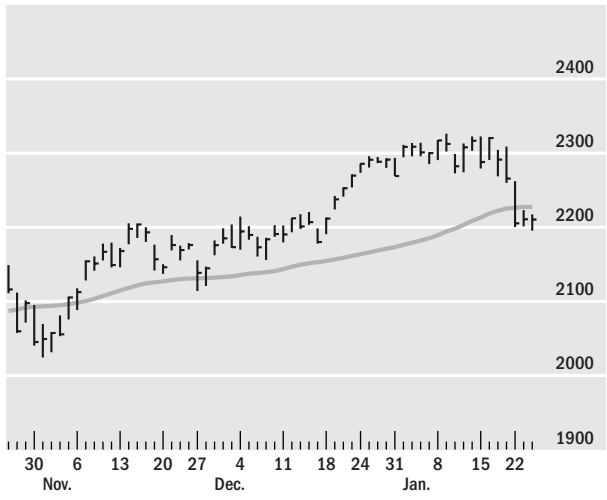
Dow Jones Industrial Average P/E: 17

LAST: **10212.88** ▲ 16.02, or 0.16%
YEAR TO DATE: ▼ **215.17, or 2.1%**
OVER 52 WEEKS ▲ **2,038.15, or 24.9%**



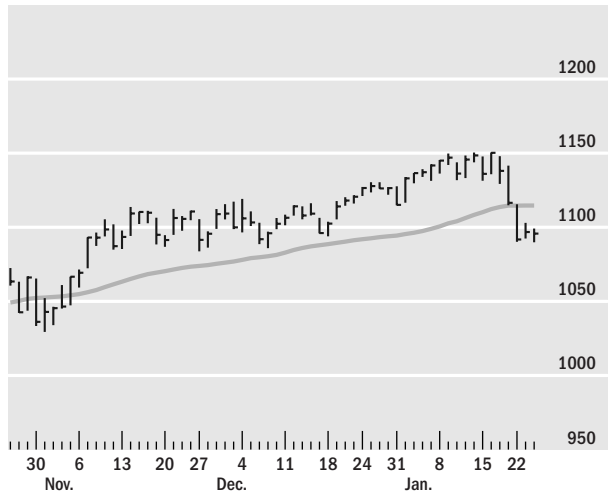
Nasdaq Composite Index P/E: 39*

LAST: **2210.40** ▼ 0.40, or 0.02%
YEAR TO DATE: ▼ **58.75, or 2.6%**
OVER 52 WEEKS ▲ **705.50, or 46.9%**



S&P 500 Index P/E: 47

LAST: **1095.72** ▼ 1.06, or 0.10%
YEAR TO DATE: ▼ **19.38, or 1.7%**
OVER 52 WEEKS ▲ **250.01, or 29.6%**



*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**14.50**	$25.37	-0.21	**-0.82%**
Alcoa	AA	**22.10**	13.92	0.53	**3.96**
AmExpress	AXP	**6.60**	38.90	1.11	**2.94**
BankAm	BAC	**98.40**	15.01	0.03	**0.20**
Boeing	BA	**1.40**	57.96	0.18	**0.31**
Caterpillar	CAT	**4.90**	56.08	0.94	**1.70**
Chevron	CVX	**4.70**	74.48	-0.07	**-0.09**
CiscoSys	CSCO	**23.90**	23.02	0.03	**0.13**
CocaCola	KO	**3.00**	54.16	-0.20	**-0.36**
Disney	DIS	**5.30**	29.72	-0.20	**-0.67**
DuPont	DD	**5.10**	32.96	0.14	**0.43**
ExxonMobil	XOM	**13.40**	66.37	0.52	**0.79**
GenElec	GE	**31.70**	16.54	0.17	**1.04**
HewlettPk	HPQ	**6.20**	50.32	0.26	**0.52**
HomeDpt	HD	**5.30**	27.80	0.18	**0.65**
Intel	INTC	**30.10**	20.12	-0.20	**-0.98**
IBM	IBM	**3.10**	127.44	1.32	**1.05**
JPMorgChas	JPM	**19.40**	39.33	0.12	**0.31**
JohnsJohns	JNJ	**8.50**	62.82	-0.40	**-0.63**
KftFoods	KFT	**13.60**	27.46	-0.23	**-0.83**
McDonalds	MCD	**4.20**	63.54	0.44	**0.71**
Merck	MRK	**7.90**	38.27	-0.49	**-1.26**
Microsoft	MSFT	**27.80**	29.78	0.46	**1.57**
Pfizer	PFE	**19.00**	18.84	-0.01	**-0.05**
ProctGamb	PG	**6.10**	60.85	0.22	**0.36**
3M	MMM	**1.20**	82.47	0.64	**0.78**
TravelersCos	TRV	**4.00**	50.67	1.78	**3.64**
UnitedTech	UTX	**1.80**	68.41	-0.18	**-0.26**
Verizon	VZ	**17.10**	29.97	-0.71	**-2.32**
WalMart	WMT	**5.30**	53.78	0.90	**1.70**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**185.8**	$3.24	$0.01	**0.33%**
BankAm	BAC	**100.0**	15.01	0.03	**0.20**
SPDR S&P 500	SPY	**97.3**	110.14	0.37	**0.34**
PwrShrs QQQ	QQQQ	**65.9**	44.68	0.37	**0.84**
FordMotor	F	**54.8**	11.40	0.37	**3.35**
SPDR FnclSelSct	XLF	**54.2**	14.33	0.07	**0.49**
iShrMSCIEmrgMkt	EEM	**46.0**	39.41	-0.49	**-1.23**
RegionsFin	RF	**37.1**	6.30	-0.25	**-3.82**
EMC Cp	EMC	**34.4**	17.61	0.68	**3.98**
DrxFinancBear 3x	FAZ	**32.0**	19.33	-0.29	**-1.48**
GenElec	GE	**31.9**	16.54	0.17	**1.04**
SiriusXM	SIRI	**31.1**	0.73	0.04	**6.36**
Intel	INTC	**30.3**	20.13	-0.19	**-0.94**
Weatherford	WFT	**28.5**	16.52	-1.21	**-6.82**
AppleInc	AAPL	**28.4**	210.57	7.50	**3.69**

Biggest gainers...

VA ComrcBcp	VCBI	**265.5**	$5.79	$1.59	**37.86%**
TheStreet	TSCM	**748.0**	3.22	0.70	**27.77**
PLX Tch	PLXT	**686.4**	4.79	0.80	**20.06**
VolterraSemi	VLTR	**1,281.4**	21.04	3.23	**18.14**
Parexel	PRXL	**1,448.9**	20.52	2.98	**16.99**

...Biggest losers

MauiLand	MLP	**124.9**	$2.22	-$0.53	**-19.27%**
ChBioProdcts	CBPO	**290.7**	9.71	-2.05	**-17.47**
StealthGas	GASS	**141.4**	5.13	-0.87	**-14.49**
TanRoyExplr	TRE	**4,140.0**	4.04	-0.67	**-14.23**
BoltTch	BOLT	**101.8**	10.89	-1.48	**-11.96**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.79	**Taiwan Semi**	TSM	**10,689.9**	$10.08	-0.07	**-0.69%**
4.24	1.65	**Utd Microelectronics**	UMC	**3,160.1**	3.82	-0.12	**-3.05**
82.74	33.09	**BHP Billiton**	BHP	**2,311.3**	73.32	-0.61	**-0.82**
13.30	6.35	**AU Optrncs**	AUO	**1,625.2**	11.51	-0.41	**-3.44**
15.95	8.56	**China Unicom**	CHU	**1,306.2**	11.47	-0.28	**-2.38**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,124.2**	5.26	-0.16	**-2.95**
8.19	3.78	**Siliconware Prec Ind**	SPIL	**808.3**	6.82	-0.11	**-1.59**
81.00	37.43	**China Life Ins**	LFC	**723.3**	65.60	-1.87	**-2.78**
59.22	40.20	**China Mobile**	CHL	**601.5**	47.90	0.03	**0.06**
34.27	9.91	**Aluminum Cp of China**	ACH	**586.8**	26.73	-0.79	**-2.87**
59.13	22.61	**Infosys Tech**	INFY	**493.2**	54.40	-0.10	**-0.18**
18.20	6.85	**Korea Elec Pwr**	KEP	**475.6**	16.55	-0.14	**-0.84**
18.64	12.59	**SK Telecom**	SKM	**441.6**	17.07	-0.22	**-1.25**
34.99	15.64	**Sony**	SNE	**428.4**	33.72	-1.08	**-3.10**
21.47	11.30	**KT Corp**	KT	**322.6**	20.17	-0.34	**-1.66**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**307.8**	21.13	-0.86	**-3.91**
150.50	47.09	**POSCO**	PKX	**232.5**	122.03	-3.70	**-2.94**
21.22	16.33	**ChunghwaTel**	CHT@	**211.9**	18.66	-0.34	**-1.79**
17.19	10.60	**Matsushita Elec**	PC	**189.0**	16.39	-0.61	**-3.59**
5.23	1.51	**Adv Semi Engrg**	ASX	**184.5**	4.14	-0.15	**-3.50**
171.59	75.59	**CNOOC**	CEO	**183.3**	143.73	-3.08	**-2.10**
9.50	3.96	**Nomura Hldgs**	NMR	**171.1**	7.73	-0.04	**-0.49**
94.00	46.45	**China Petro & Chem**	SNP	**167.2**	78.56	-1.62	**-2.02**
135.92	63.94	**PetroChina**	PTR	**162.7**	115.07	-1.28	**-1.10**
18.26	13.11	**NTT DoCoMo**	DCM	**155.2**	15.42	0.14	**0.92**
4.68	1.50	**SemiMfgInt**	SMI	**131.1**	3.86	-0.10	**-2.53**
37.23	20.72	**Honda Motor**	HMC	**123.4**	34.71	-0.35	**-1.00**
7.74	2.00	**Alumina**	AWC	**108.0**	6.07	-0.05	**-0.90**
91.97	56.79	**Toyota Motor**	TM	**104.0**	87.00	-0.71	**-0.81**
56.41	31.92	**ChinaTele**	CHA	**97.9**	42.00	-1.04	**-2.42**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

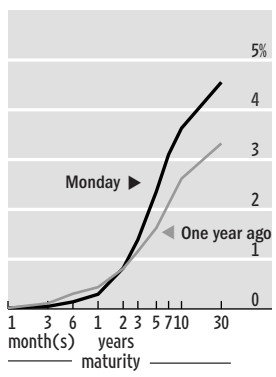
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.345%**	**353.8**	354.9	336.6	**171.8**	**4.365%**	4.337%	**2.561%**
4.500	10	**5.520**	**190.9**	191.9	185.6	**146.0**	**5.538**	5.661	**4.106**
5.000	**Austria** 2	**1.608**	**80.1**	80.2	-2.2	**75.7**	**1.618**	0.949	**1.600**
3.900	10	**3.663**	**5.2**	5.8	-16.9	**162.0**	**3.677**	3.636	**4.266**
2.000	**Belgium** 2	**1.375**	**56.8**	58.3	6.5	**84.5**	**1.399**	1.036	**1.688**
3.750	10	**3.739**	**12.8**	15.0	-12.6	**199.3**	**3.769**	3.679	**4.639**
1.250	**Canada** 2	**1.173**	**36.6**	36.8	42.2	**45.7**	**1.184**	1.393	**1.300**
3.750	10	**3.358**	**-25.3**	-23.1	-21.0	**27.5**	**3.388**	3.595	**2.921**
4.000	**Denmark** 2	**1.906**	**109.9**	108.5	104.4	**190.2**	**1.901**	2.015	**2.745**
4.000	10	**3.542**	**-6.9**	-6.8	-22.2	**112.4**	**3.551**	3.583	**3.770**
3.750	**France** 2	**1.189**	**38.2**	19.5	13.6	**97.4**	**1.011**	1.107	**1.817**
3.750	10	**3.452**	**-15.9**	-15.4	1529.5	**124.1**	**3.465**	19.100	**3.887**
1.250	**Germany** 2	**1.126**	**31.9**	30.7	21.6	**75.2**	**1.123**	1.187	**1.595**
3.250	10	**3.205**	**-40.6**	-39.6	-50.4	**65.5**	**3.223**	3.301	**3.301**
0.550	**Hong Kong** 2	**0.636**	**-17.1**	-15.9	-36.0	**-20.0**	**0.657**	0.611	**0.643**
2.160	10	**2.878**	**-73.3**	-61.5	-111.4	**-114.2**	**3.004**	2.691	**1.504**
5.000	**Italy** 2	**1.655**	**84.8**	85.5	51.3	**186.4**	**1.671**	1.484	**2.707**
4.250	10	**4.016**	**40.5**	42.9	24.7	**233.1**	**4.048**	4.052	**4.977**
0.200	**Japan** 2	**0.165**	**-64.2**	-65.1	-80.1	**-45.2**	**0.165**	0.170	**0.391**
1.300	10	**1.329**	**-228.2**	-228.0	-252.8	**-142.1**	**1.339**	1.277	**1.225**
2.500	**Netherlands** 2	**1.187**	**38.0**	38.8	-15.9	**124.8**	**1.204**	0.812	**2.091**
4.000	10	**3.402**	**-20.9**	-21.0	-34.4	**146.8**	**3.409**	3.461	**4.114**
3.200	**Portugal** 2	**1.363**	**55.6**	56.7	37.6	**125.8**	**1.383**	1.347	**2.101**
4.750	10	**4.137**	**52.6**	56.8	20.6	**209.7**	**4.187**	4.011	**4.743**
5.350	**Spain** 2	**1.488**	**68.1**	65.5	52.6	**176.5**	**1.471**	1.497	**2.608**
4.000	10	**4.062**	**45.1**	45.0	13.2	**184.1**	**4.069**	3.937	**4.487**
2.750	**Switzerland** 2	**0.550**	**-25.7**	-26.3	-38.9	**-32.0**	**0.553**	0.582	**0.523**
2.250	10	**2.014**	**-159.7**	-158.9	-186.5	**-32.9**	**2.030**	1.940	**2.317**
3.250	**U.K.** 2	**1.200**	**39.3**	46.1	34.6	**62.1**	**1.277**	1.317	**1.464**
4.500	10	**3.865**	**25.4**	28.9	19.1	**105.5**	**3.908**	3.996	**3.701**
1.000	**U.S.** 2	**0.807**	**...**	...	...	**...**	**0.816**	0.971	**0.843**
3.375	10	**3.611**	**...**	...	...	**...**	**3.619**	3.805	**2.646**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.554%**	16.22	1.63%	1.63%	1.63%	-15.55%
10-year Treasury	**3.630**	8.21	1.95	1.95	1.95	-4.90
7 Year Treasury	**3.101**	6.16	2.01	2.01	2.01	...
Five-year Treasury	**2.362**	4.60	1.67	1.67	1.67	1.38
Ryan Index	**2.643**	6.66	1.51	1.51	1.51	-2.39
3 Year Treasury	**1.391**	2.90	1.07	1.07	1.07	2.47
Two-year Treasury	**0.820**	1.91	0.70	0.70	0.70	2.05
1 Year Treasury	**0.295**	0.97	0.20	0.20	0.20	1.18
Six-month Treasury	**0.142**	0.50	0.04	0.04	0.04	0.63
Ryan Cash Index-a	**0.127**	0.45	0.06	0.06	0.06	0.58
Three-month bill	**0.051**	0.25	0.01	0.01	0.01	0.36
One-month bill	**0.020**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.50
ECB	**1.00**	2.00
Switzerland	**0.53**	0.52
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23063%**	0.41125%
Three month	**0.24875**	1.18438
Six month	**0.38250**	1.67750
One year	**0.84063**	1.97063

	Latest	52 wks ago
Euro Libor		
One month	**0.39000%**	1.77000%
Three month	**0.61125**	2.13250
Six month	**0.92688**	2.23625
One year	**1.19500**	2.33875
Hibor		
One month	**0.06929**	0.34714%
Three month	**0.13000**	0.94929
Six month	**0.25000**	1.25000
One year	**0.54857**	1.70000
Asian dollars		
One month	**0.2495%**	0.41%
Three month	**0.2633**	1.1800
Six month	**0.4038**	1.6250
One year	**0.8750**	1.9025

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3500**	0.2500
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.17%**	0.13%
U.K. (BBA)	**0.502**	1.400
Euro zone	**0.30**	1.12

Sources: WSJ Market Data Group; Reuters

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Tuesday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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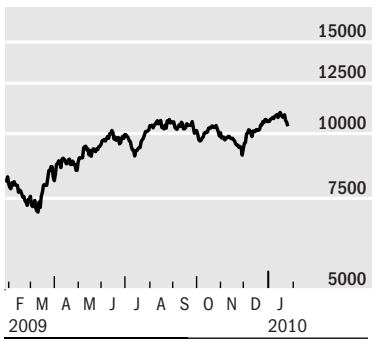
Asian index movers...

Nikkei Stock Average
Japan 10325.28
▼ **1.78% or 187.41**

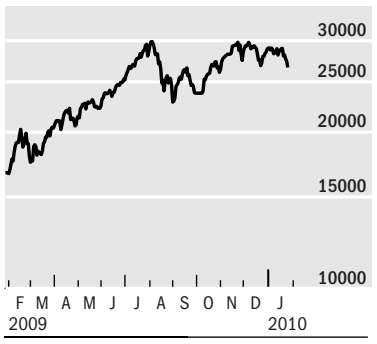
The index hit a five-week low as exporters weakened on a stronger yen and worries about China. KDDI fell 8.6% on a lower profit outlook and its Jupiter Telecom deal.



Stock	Volume in millions	Close	Change Net	Change %
Hitachi	**205.44**	303	–19	–5.90
Mizuho Financial	**164.68**	183	–5	–2.66
Mtshbsh Fin Grp	**126.68**	472	–15	–3.08
Toshiba	**62.61**	494	–22	–4.26
NEC	**57.54**	245	–6	–2.39

CBN 600
China 26653.67
▼ **2.71% or 741.23**

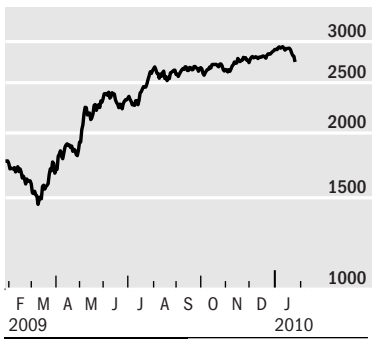
Banks and property developers fell after a news report that at least three major Chinese banks have suspended lending. China Vanke dropped 3.2%.



Stock	Volume in millions	Close	Change Net	Change %
China State Con	**250.03**	4.27	–0.14	–3.17
Hebei Steel	**159.48**	5.86	–0.35	–5.64
Icbc	**159.09**	4.99	–0.04	–0.80
United Network	**114.17**	6.91	–0.10	–1.43
ChinaMinshengBkg	**113.32**	7.55	–0.08	–1.05

Straits-Times
Singapore 2740.33
▼ **2.54% or 71.38**

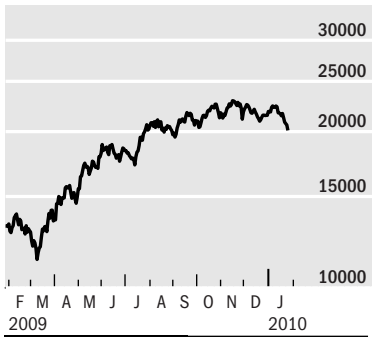
Concerns about the effects that Chinese lending caps may have on global growth sent the index to a two-month low. Cosco lost 6.1% and Noble Group fell 5.3%.



Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**273.43**	1.10	–0.11	–9.09
Golden Agri	**159.09**	0.51	–0.03	–5.61
CapitaLand	**46.82**	3.86	–0.18	–4.46
Cosco	**27.89**	1.24	–0.08	–6.06
Noble Grp	**24.43**	2.86	–0.16	–5.30

Hang Seng
Hong Kong 20109.33
▼ **2.38% or 489.22**

Chinese financial firms led the index to a 4½-month low on concerns about Beijing's efforts to curb lending. Ping An Insurance slid 5.1%.



Stock	Volume in millions	Close	Change Net	Change %
Bank Of China	**545.95**	3.68	–0.13	–3.41
CCB	**381.06**	5.95	–0.18	–2.94
Icbc	**367.67**	5.61	–0.20	–3.44
ChinaPetroChem	**174.59**	6.08	–0.21	–3.34
PetroChina	**110.49**	8.86	–0.24	–2.64

Asian stocks in the news

Obic
Japan ¥15,550
▲ **0.8% or ¥120**

Nine-month pretax profit increased a higher-than-expected 7.6%.

Price-to-earnings ratio	14
Earnings per share, past four quarters	1104.40
Dividend yield	2.1

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-2.5%**	-5.1%	75.7%
Obic	**0.8%**	0.1%	15.8%

Fletcher Building
New Zealand NZD8.18
▲ **2.0% or NZD0.16**

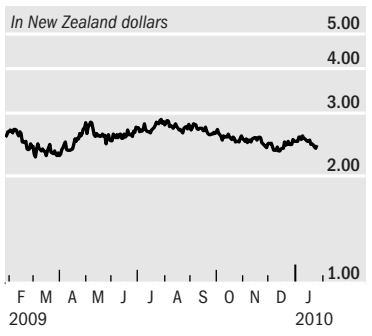
The stock got a boost from improved market sentiment.

Price-to-earnings ratio	none
Earnings per share, past four quarters	...
Dividend yield	4.6

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Constructn & Matl	**-1.6%**	-6.0%	41.0%
Fletcher Building	**2.0%**	1.4%	43.3%

Telecom of NZ
New Zealand NZD2.44
▲ **2.1% or NZD0.05**

Improved market sentiment buoyed shares.



Price-to-earnings ratio	11
Earnings per share, past four quarters	0.22
Dividend yield	9.8

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Telecommunications	**-1.9%**	-2.3%	6.9%
Telecom of NZ	**2.1%**	-0.4%	-5.1%

Toppan Printing
Japan ¥795
▲ **2.4% or ¥19**

Shares rose on a news report that suggested the company would meet its fiscal-year earnings forecast

Price-to-earnings ratio	80
Earnings per share, past four quarters	10.00
Dividend yield	2.8

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**-2.0%**	-4.8%	52.1%
Toppan Printing	**2.4%**	0.1%	27.0%

Yue Yuen Indl (Hldgs)
Hong Kong HK$25.50
▲ **3.0% or HK$0.75**

Citigroup raised the stock's target price, saying the company will benefit from demand recovery.

Price-to-earnings ratio	19
Earnings per share, past four quarters	1.36
Dividend yield	3.5

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-1.6%**	-2.6%	30.0%
Yue Yuen Indl (Hldgs)	**3.0%**	-4.9%	94.7%

Lenovo Grp
Hong Kong HK$5.19
▼ **6.5% or HK$0.36**

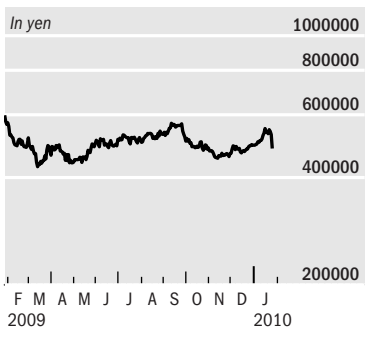
Investors locked in profit after the stock's recent rally.

Price-to-earnings ratio	none
Earnings per share, past four quarters	-0.28
Dividend yield	0.2

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-2.5%**	-5.1%	75.7%
Lenovo Grp	**-6.5%**	-8.9%	284.4%

KDDI
Japan ¥482,500
▼ **8.6% or ¥45,500**

The company offered to buy a 38% stake in Jupiter Telecom in a deal seen as expensive by analysts.



Price-to-earnings ratio	10
Earnings per share, past four quarters	50169.30
Dividend yield	2.5

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Telecommunications	**-1.9%**	-2.3%	6.9%
KDDI	**-8.6%**	-10.3%	-19.3%

Foxconn Intl
Hong Kong HK$8.08
▼ **8.7% or HK$0.77**

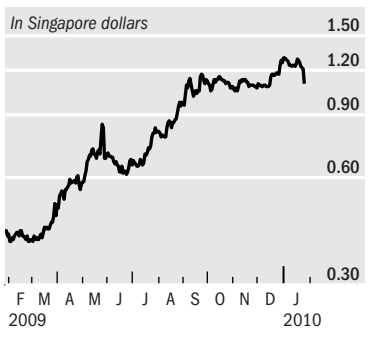
The stock xtending a six-session decline after the company issued a profit warning.

Price-to-earnings ratio	none
Earnings per share, past four quarters	-0.04
Dividend yield	none

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-2.5%**	-5.1%	75.7%
Foxconn Intl	**-8.7%**	-21.9%	202.6%

Genting Singapore
Singapore S$1.10
▼ **9.1% or S$0.11**

Investors pulled out of the stock before the company has the option to convert a 2007 bond issue.



Price-to-earnings ratio	none
Earnings per share, past four quarters	-0.02
Dividend yield	none

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**-1.2%**	-2.8%	11.2%
Genting Singapore	**-9.1%**	-14.1%	167.4%

ASM Pacific Tech
Hong Kong HK$64.00
▼ **9.9% or HK$7.00**

Goldman cut the stock to "sell," saying its rise over the last three months has been overdone.

Price-to-earnings ratio	49
Earnings per share, past four quarters	1.30
Dividend yield	1.1

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**-2.5%**	-5.1%	75.7%
ASM Pacific Tech	**-9.9%**	-14.0%	201.2%

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

Trying to decipher KDDI's cable plans

Investors can be forgiven for wondering whether **KDDI** has a concrete plan for its pricey deal for a chunk of Japan's largest cable-television firm.

KDDI is paying $4 billion for only a 38% stake in **Jupiter Telecommunications** at a steep 65% premium. Because KDDI didn't acquire a majority stake, investors may wonder whether the nation's No. 2 cellphone operator by users, behind **NTT Docomo**, can generate the touted synergies between Jupiter and its cable-TV firm Japan Cablenet.

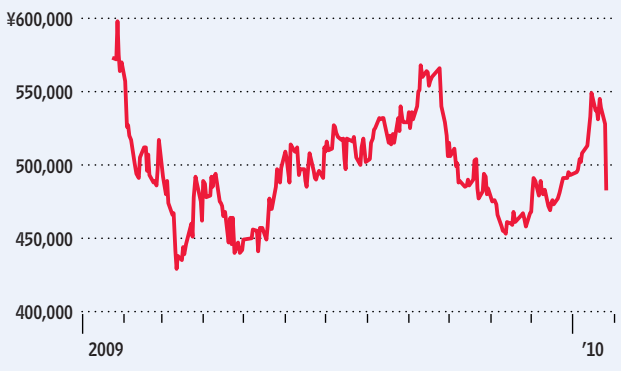
Investors had some concerns Tuesday, pushing KDDI's shares down 8.6%, while Jupiter Telecommunications shares fell nearly 7%.

At nearly $3,900 in enterprise value per subscribing household, the deal values Jupiter at more than double the valuation for telecom carriers like NTT Docomo and Softbank Mobile, Barclays Capital says.

Moreover, KDDI's previous acquisitions of cable and fiber-optic networks haven't done much for the company yet. Its fixed-line operations, which includes Internet and cable services, still lost about $3 billion at the operating level in the past six years.

No-confidence vote

KDDI's daily share price. Tuesday's close: 482,500 yen, down 8.6%



Sources: Thomson Reuters Datastream (chart); Bloomberg News (photo)

Jupiter Telecommunications' J:COM shop in Tokyo. KDDI agreed to buy a stake in Jupiter Telecommunications Monday.

To be sure, combining the two companies would give them almost half of the nation's cable-TV market by subscribers and allow them to cut overhead and the costs of buying equipment and programming.

Jupiter would also give KDDI access to new subscribers to sell bundled broadband, phone and video services without paying high fees to use **Nippon Telegraph & Telephone**'s lines. Packages could also include KDDI cellphone services. Jupiter has 3.3 million subscribers, including cable TV and high-speed Internet.

It appears KDDI's plan is to work smoothly with Jupiter's No. 2 shareholder—trading company **Sumitomo**—to realize the benefits.

It might also be thinking of increasing its stake in the long run, but that could come at the cost of dilutive equity issues or additional debt.

One cash-free way would be to gain a majority stake in Jupiter through a stock swap with KDDI's Japan Cablenet, according to **Citigroup**.

Still, investors may not wait patiently to get some answers.

—James Simms

OVERHEARD

Another juicy detail has emerged from the saga of **Goldman Sachs** and **American International Group**.

As everybody knows, AIG got a huge bailout from the U.S. government in September 2008 to help make payments on derivatives contracts with banks, including Goldman.

Yet in the previous month, Goldman Sachs approached AIG about "tearing up" its contracts, according to a November 2008 analysis by BlackRock, then an adviser to the Federal Reserve Bank of New York.

Why might AIG have accepted termination?

Perhaps if it thought the underlying collateralized-debt-obligation assets were worth holding instead of a derivative liability to Goldman Sachs. Or if Goldman Sachs was willing to accept less than face value to close the contracts out.

So was Goldman Sachs prepared to offer AIG a haircut in the month before its rescue?

A legitimate question, given that Goldman Sachs refused to accept such a cut when the New York Fed raised the idea after it bailed out AIG.

Greek government draws a line in the bond-market sand

Greece has drawn a line, albeit an expensive one, in the sand.

The success of its €8 billion ($11.32 billion) five-year bond sale, for which orders reached €25 billion, means the market should step back from a trade that was starting to price in the unthinkable: an imminent default by a euro-zone sovereign.

But while Greece has passed this test, and its bonds should rally, the market now will expect Greek authorities to be similarly proactive in cutting spending and raising taxes to rein in the runaway budget deficit.

For investors, the question was simple: Was an initial spread of 3.75 percentage points over the benchmark midswap rate, cut to 3.5 points as demand built, attractive enough to compensate for risk?

Compared with investment-grade corporate bonds, that spread was hugely attractive: Auto maker **Daimler** paid just 1.1 percentage points over swaps for a seven-year bond two weeks ago. But faced with similar spreads in the secondary market at the end of last week, investors seemed unwilling to buy: Greek credit-default swaps and bond spreads had started to paint a picture of a looming default.

In reality, it seems that investors were simply unwilling to bet against a momentum trade driven largely by speculative investors that showed little sign of slowing.

So the syndicated sale gave both Greece and investors what they wanted. For Greece, the appointment of six banks to run the sale indicated to the market that there was a strong group that believed the deal would work. For investors, it meant that they could take comfort in the knowledge that they were putting cash to work alongside others, rather than taking on the speculative trade alone. The final result is a powerful signal to the market, with the size much larger than the €3 billion to €5 billion initially planned, the final spread offering little concession versus existing Greek bonds, and around 80% of the orders coming from international investors.

So the strategy seems likely to pay off—for both borrower and investors. Still, Greece will be tested again in coming months, most notably with a national strike due in February and the ongoing European Union assessment of the implementation of its budget.

The country must make use of the time it has won to deliver on its budget promises.

—Richard Barley

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